

WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED 華新手袋國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

stock code: 2683

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



IMPORTANT

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

WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED

華新手袋國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	not more than HK\$1.38 per Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, payable in full on application in Hong Kong dollars and subject to refund) and expected to be not less than HK\$1.00 per Offer Share
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	2683

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



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, with the documents specified in the section "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in 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 for the contents of this prospectus or any other document referred to above.

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator, (for itself and on behalf of the Underwriters), and the Company on or around Tuesday, 16 January 2018 and, in any event, not later than Thursday, 18 January 2018. The Offer Price will be not more than HK\$1.38 and is currently expected to be not less than HK\$1.00 unless otherwise announced. If the Offer Price is not agreed between the Sole Global Coordinator, on behalf of the Underwriters, and the Company, the Global Offering will lapse and will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Hong Kong Public Offer – Grounds for termination" in this prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer.

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. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

10 January 2018

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

Date⁽¹⁾

Application lists open⁽²⁾11:45 a.m. on Monday, 15 January 2018

Latest time to give **electronic application instructions**
to HKSCC⁽³⁾12:00 noon on Monday, 15 January 2018

Latest time to lodge **WHITE** and **YELLOW**
Application Forms12:00 noon on Monday, 15 January 2018

Application lists close⁽²⁾12:00 noon on Monday, 15 January 2018

Expected Price Determination Date⁽⁴⁾Tuesday, 16 January 2018

Announcement of:

- the final Offer Price,
- the indication of levels of interest in the International Placing,
- the basis of allotment and the level of applications in the Hong Kong Public Offer to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or beforeFriday, 19 January 2018

Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at **www.wahsun.com.hk** and the website of the Stock Exchange at **www.hkex.com.hk** (for further details, please see "How to apply for Hong Kong Offer Shares – 10. Publication of Results" in this prospectus) fromFriday, 19 January 2018

Results of allocations in the Hong Kong Public Offer will be available at **www.ewhiteform.com.hk/results** with a "search by ID Number" functionFriday, 19 January 2018

EXPECTED TIMETABLE

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before (*Notes 6 to 7*) Friday, 19 January 2018

Despatch/Collection of Share certificates on or before (*Notes 6 to 7*) Friday, 19 January 2018

Dealings in the Shares on the Stock Exchange expected to commence on 9:00 a.m. on Monday, 22 January 2018

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section “Structure of the Global Offering” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 15 January 2018, the application lists will not open on that day. For further details, please see the section “How to Apply for Hong Kong Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to apply for Hong Kong Offer Shares – 5. Applying By Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Tuesday, 16 January 2018. If, for any reason, the Offer Price is not agreed by Thursday, 18 January 2018 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
5. Share certificates for the Offer Shares are expected to be issued on or before Friday, 19 January 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 22 January 2018 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have indicated in their Application Forms that they wish to collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 19 January 2018 or any other day that we publish in the newspaper as the date of despatch of Share certificates/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

7. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$1.38 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed "Structure of the Global Offering" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We 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 us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	13
GLOSSARY OF TECHNICAL TERMS	24
FORWARD-LOOKING STATEMENT	25
RISK FACTORS	27
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	52
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	55

CONTENTS

CORPORATE INFORMATION	59
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	61
INDUSTRY OVERVIEW	66
REGULATORY OVERVIEW	80
HISTORY AND DEVELOPMENT	105
BUSINESS	122
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	186
CONNECTED TRANSACTIONS	194
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	198
SUBSTANTIAL SHAREHOLDERS	211
CORNERSTONE INVESTORS	213
SHARE CAPITAL	220
FINANCIAL INFORMATION	223
FUTURE PLANS AND USE OF PROCEEDS	265
UNDERWRITING	268
STRUCTURE OF THE GLOBAL OFFERING	281
HOW TO APPLY FOR HONG KONG OFFER SHARES	291
APPENDIX I – ACCOUNTANT’S REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW .	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document 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 the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the globally leading non-leather handbag original equipment manufacturers (OEM) and the leading non-leather handbag OEM in Cambodia in terms of sales revenue. We principally manufacture and sell handbags, such as top handle bag, shoulder bags, crossbody bags and tote bags. Our end customers are mainly well-known multinational fashion brand names headquartered in the U.S., Canada, Spain, Sweden and Japan. According to the F&S Report, we were the fifth largest non-leather handbag OEM globally, the largest non-leather handbag OEM in Cambodia and the second largest non-leather handbag OEM in the PRC in terms of sales revenue, and had a market share of 0.4% globally, 68.3% in Cambodia and 0.5% in the PRC in 2016.

Our products are mainly mass market and middle-end priced products in the retail market which are mainly non-leather handbags made of materials such as PVC, PU and various types of textile materials. During the Track Record Period, we generated 87.5%, 76.3%, 71.5% and 68.5% of our revenue from sales to North America, and the remaining revenue was generated mainly from sales to Europe and Asia. We mainly sell to internationally well-known brand names (including fast fashion brand names) or their sourcing companies. We have established over three years of business relationship with our top three customers during FY2015, FY2016 and FY2017.

According to the F&S Report, the global mass market and middle-end non-leather handbag retail market grew at a CAGR of 5.6% from US\$64.7 billion in 2012 to US\$80.4 billion in 2016, while our revenue grew from HK\$546.0 million in FY2015 to HK\$585.9 million in FY2016 and further to HK\$677.2 million in FY2017, and from HK\$193.9 million in 4M2017 to HK\$237.9 million in 4M2018. Our products are typically priced on a cost-plus basis and we set our target profit margins taking into account factors such as tariff borne by the customers as well as market competition and conditions. The following table sets forth the breakdown of our revenue by export destination during the Track Record Period:

	FY2015		FY2016		Revenue for FY2017		4M2017		4M2018	
	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million (unaudited)	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %
North America ⁽¹⁾	478.0	87.5	447.0	76.3	484.3	71.5	129.8	66.9	163.1	68.5
Europe ⁽²⁾	20.1	3.7	73.1	12.5	118.4	17.5	41.2	21.3	56.1	23.6
Asia ⁽³⁾	28.8	5.3	50.7	8.7	56.5	8.3	15.3	7.9	14.3	6.0
Others ⁽⁴⁾	19.1	3.5	15.1	2.5	18.0	2.7	7.6	3.9	4.4	1.9
Total sales	546.0	100	585.9	100	677.2	100	193.9	100	237.9	100

Notes:

- (1) This includes the U.S. and Canada. In particular, revenue from sales with the U.S. as export destination were HK\$458.1 million, HK\$437.4 million, HK\$471.5 million, HK\$126.7 million and HK\$157.6 million, which represented 83.9%, 74.7%, 69.6%, 65.3% and 66.3% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.

SUMMARY

- (2) This includes Spain, Austria, Belgium, Croatia, Denmark, Germany, Greece, Italy, Malta, Netherlands, Norway, Poland, Serbia, Slovakia, Sweden, Switzerland, Turkey and UK. In particular, revenue from sales with Spain as export destination were HK\$1.1 million, HK\$38.1 million, HK\$65.8 million, HK\$25.7 million and HK\$32.5 million, which represented 0.2%, 6.5%, 9.7%, 13.2% and 13.7% of our total revenue for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (3) This includes Japan, China, Hong Kong, India, Indonesia, Israel, Lebanon, Malaysia, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, UAE and Vietnam. In particular, revenue from sales with Japan as export destination were HK\$10.5 million, HK\$27.1 million, HK\$24.9 million, HK\$5.1 million and HK\$5.0 million, which represented 1.9%, 4.6%, 3.7%, 2.6% and 2.1% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (4) Others include countries such as Mexico, Australia and Brazil.

As an OEM, we develop and manufacture our products based on the designs provided by our customers. Our production facilities are located in Dongguan, the PRC and Kampong Speu, Cambodia. During the Track Record Period, 76.6%, 56.1%, 41.8% and 22.7% of our products, by unit, were manufactured in the PRC and 23.4%, 43.9%, 58.2% and 77.3% of our products, by unit, were manufactured in Cambodia. All workers in our Cambodia Factory are our employees. In order to allow flexibility on staffing and save costs on human resources management for our Dongguan Factory, manufacturing workers working at our Dongguan Factory during the Track Record Period and up to the Latest Practicable Date were provided by one of our sub-contractors. Excluding manufacturing workers from that sub-contractor, our Cambodia Factory and Dongguan Factory were staffed with over 4,500 and 250 staff, respectively, as at the Latest Practicable Date. We also engage sub-contractors in the PRC to manufacture products and perform certain production steps at their facilities for us from time to time during the Track Record Period.

Our Cambodia Factory has been in operation for over three years and was our Group's major production facilities in terms of production volume since FY2016. The Cambodia Leased Land where our Cambodia Factory located is subject to a short-term lease with an expiry date of 31 March 2022. Wah Sun Cambodia, as the lessee, has the right to renew the lease for an additional term of five years. Ms. Dong Yan, a director of Wah Sun Cambodia, is the lessor of the Cambodia Leased Land. As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia, according to the F&S Report. We intend to capture such growth opportunity and the relatively low labour cost in Cambodia by leveraging our local experience to further expand our production facilities there. Our Directors believe this strategy will facilitate our plan to attract more fast fashion brands, which are inherently more cost cautious, as our end customers. While our production facilities in the PRC will be maintained primarily for non-manufacturing functions such as order management, product development and raw material procurement so as to benefit from the close proximity to our suppliers located in the PRC, our Group intends to primarily utilise the production facilities in Cambodia over the PRC going forward due to the low manpower costs in Cambodia.

OUR BUSINESS MODEL AND BUSINESS PROCESS

We generate our revenue principally from developing and manufacturing mass market to middle-end priced non-leather handbags for multinational fashion and accessories brand names headquartered in countries such as the U.S., Sweden, Spain and Japan. Please see "Business – Business Process" section for description on our business process, which involves inter-departmental cooperation to develop, manufacture and deliver our products to our customers.

OUR STRENGTHS

We believe we possess the following strengths:

- Cost-effective structure of our manufacturing facilities leveraging on low manpower costs in Cambodia, as well as close proximity to suppliers in the PRC

SUMMARY

- Large scale manufacturing facilities to maintain cost competitiveness and capture market with high expected growth
- An established customer base comprising well-known brands in both middle-end and mass markets and allow cross-selling, with long-term and stable relationships with certain key customers
- In-depth expertise and know-how in the craftsmanship of handbags and strong product development ability
- Experienced senior management team with in-depth industry knowledge and a proven track record of delivering growth in revenue

Please see “Business – Our Strengths” for further details.

OUR BUSINESS STRATEGIES

We intend to enhance shareholder value by leveraging our expertise in the OEM handbag industry with a view to maintaining and strengthening our position as one of the globally leading non-leather handbag OEMs and the leading non-leather handbag OEM in Cambodia and increasing our share in fast fashion handbag OEM market. To achieve these goals, we are pursuing the following principal strategies:

- Enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia
- Upgrading and up-keeping of our production facilities
- Enhancing and expanding our pre-production product development services
- Strengthening and broadening our customer base

Please see “Business – Our Business Strategies” section for further details.

OUR CUSTOMERS

Our end customers are mainly well-known multinational fashion brands headquartered in the U.S., Canada, Spain, Sweden and Japan. These end customers may source their products from us directly or through sourcing companies. For FY2015, FY2016, FY2017 and 4M2018, revenue generated from sales to our top five customers were HK\$540.1 million, HK\$528.4 million, HK\$536.2 million and HK\$188.2 million, respectively, which amounted to 98.9%, 90.2%, 79.2% and 79.1% of our total revenue for the corresponding financial period. Revenue generated from sales to our largest customer for FY2015, FY2016, FY2017 and 4M2018 were HK\$318.0 million, HK\$235.3 million, HK\$177.9 million and HK\$59.4 million, respectively, which accounted for approximately 58.2%, 40.2%, 26.3% and 25.0% of our total revenue for the corresponding financial period. As at the Latest Practicable Date, we had established over three years of business relationship with our top three customers during FY2015, FY2016 and FY2017. Please see “Business – Customers” section for further details of our customers.

OUR SUPPLIERS

Our suppliers include suppliers of various raw materials, auxiliary components and packaging materials. Although prices for certain of the raw materials we use, such as PU and PVC, have declined from 2012 to 2015 due to the slump of oil price, they are expected to increase for the foreseeable future according to the F&S Report.

SUMMARY

For FY2015, FY2016, FY2017 and 4M2018, purchases from our top five suppliers were HK\$104.0 million, HK\$92.5 million, HK\$107.9 million and HK\$36.5 million, respectively, which amounted to 21.7%, 18.8%, 20.1% and 19.6% of our total cost of sales for the corresponding financial period, respectively. Purchases from our largest supplier for FY2015, FY2016, FY2017 and 4M2018 were HK\$51.4 million, HK\$39.5 million, HK\$44.7 million and HK\$15.2 million respectively, which accounted for 10.7%, 8.0%, 8.3% and 8.2% of our total cost of sales for the corresponding financial period, respectively. As at the Latest Practicable Date, we have established over two years of business relationship with most of our top five suppliers during the Track Record Period.

Please see “Business – Suppliers and Sub-contractors – Suppliers” section for further details.

OUR SUB-CONTRACTORS

From time to time, we engage sub-contractors to arrange for its workers to manufacture the products we ordered on-site in our Dongguan Factory. We also engage sub-contractors to manufacture our ordered products out of our Dongguan Factories at their facilities. We may sub-contract the manufacturing of the whole product or part of the production process to sub-contractors.

Please see “Business – Suppliers and Sub-contractors – Sub-contractors” section for further details.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- If the preferential policies and import duty treatments we currently enjoy become unavailable or otherwise change or terminate, it could adversely affect our business and profitability.
- Our business in Cambodia may be subject to labour unrest, political unrest and related economic instabilities in Cambodia which may adversely affect our business, financial condition, results of operations and prospects.
- Adverse changes in the North American and the European market may affect our revenue and profit.
- We rely on our major customers and our customer concentration may expose us to risks relating to fluctuations or decline in our revenue.
- We had net cash used in operating activities for 4M2018. Failure to manage our liquidity and cash flows may materially and adversely affect our business, results of operations and financial condition.
- Our customers may not be able to successfully catch or respond to the fast changing fashion trends and consumers’ demands for handbags.
- Our success depends on our customers’ ability to successfully sell their products developed and sold by us and demand for such products can be volatile.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION AND OPERATIONAL DATA

Key Income Statements Information

The following table summarises the combined income statements from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Revenue	546,043	100.0	585,940	100.0	677,214	100.0	193,911	100.0	237,905	100.0
Cost of sales	(479,314)	(87.8)	(491,875)	(83.9)	(537,597)	(79.4)	(159,224)	(82.1)	(185,825)	(78.1)
Gross profit	66,729	12.2	94,065	16.1	139,617	20.6	34,687	17.9	52,080	21.9
Other income, net	592	0.1	51	-	35	-	18	-	30	-
Other (losses)/gains, net	(6,609)	(1.2)	10,695	1.8	(6,100)	(0.9)	(9,936)	(5.1)	1,560	0.7
Selling and distribution expenses	(23,777)	(4.4)	(26,164)	(4.5)	(28,792)	(4.3)	(7,993)	(4.1)	(7,748)	(3.3)
Administrative expenses	(23,993)	(4.4)	(26,302)	(4.5)	(40,236)	(5.9)	(10,121)	(5.3)	(25,302)	(10.6)
Operating profit	12,942	2.3	52,345	8.9	64,524	9.5	6,655	3.4	20,620	8.7
Finance income	5	-	634	0.1	476	0.1	248	0.1	39	-
Finance costs	(1,315)	(0.2)	(1,234)	(0.2)	(1,686)	(0.2)	(464)	(0.2)	(655)	(0.3)
Finance costs, net	(1,310)	(0.2)	(600)	(0.1)	(1,210)	(0.1)	(216)	(0.1)	(616)	(0.3)
Profit before income tax	11,632	2.1	51,745	8.8	63,314	9.4	6,439	3.3	20,004	8.4
Income tax expenses	(4,388)	(0.8)	(3,612)	(0.6)	(8,383)	(1.3)	(1,343)	(0.7)	(3,485)	(1.5)
Profit for the year/period	7,244	1.3	48,133	8.2	54,931	8.1	5,096	2.6	16,519	6.9

Our income tax expenses were HK\$4.4 million, HK\$3.6 million and HK\$8.4 million for FY2015, FY2016 and FY2017, respectively. Our income tax expenses were HK\$1.3 million and HK\$3.5 million for 4M2017 and 4M2018, respectively. The exceptionally low effective tax rate in FY2016 was mainly due to (i) income not being subject to tax mostly arising from gain on disposal of an investment property of HK\$16.8 million which is capital in nature; and (ii) tax holiday on assessable profits of Wah Sun Cambodia for four financial years starting from 1 January 2015 pursuant to the Cambodia tax laws.

However, if such tax holiday is no longer applicable to Wah Sun Cambodia starting from 1 January 2019, the income tax expense on assessable profits of Wah Sun Cambodia for the year ending 31 March 2019 is expected to increase and the tax rate will be 20% of the assessable profits of Wah Sun Cambodia during the three months ending 31 March 2019, under current tax law. On the basis that (i) for the year ending 31 March 2019, only the profits recorded during three months, being the period between 1 January 2019 to 31 March 2019, will be assessable profits of Wah Sun Cambodia; and (ii) as a reference, based on the management accounts of Wah Sun Cambodia, if there was no tax holiday for FY2017, the amount of additional income tax expenses would have been approximately HK\$3.7 million, which was a relatively small portion, being approximately 5.9%, of the profit before tax of the Group for FY2017, the Directors are of the view that the end of tax holiday for Wah Sun Cambodia will not have a material adverse affect on the operations of our Group, and our Group will continue to primarily utilise the production facilities in Cambodia going forward.

SUMMARY

Key Balance Sheet Information

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Non-current assets	38,615	38,237	42,534	46,108
Current assets	166,382	182,087	246,388	275,354
Non-current liabilities	73	138	145	137
Current liabilities	181,344	165,734	220,557	236,085
Net current (liabilities)/assets	(14,962)	16,353	25,831	39,269
Net assets	23,580	54,452	68,220	85,240
Total equity	23,580	54,452	68,220	85,240

Our Group recorded net current liabilities of HK\$15.0 million as at 31 March 2015 mainly due to increase in trade and bills payables in connection with purchases of raw materials for production.

Key Information from our Combined Cash Flow Statements

	FY2015	FY2016	FY2017	4M2017	4M2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash generated from/(used in) operating activities	41,339	18,383	54,329	7,945	(19,740)
Net cash used in investing activities	(12,438)	(34,489)	(73,139)	(37,972)	(12,431)
Net cash (used in)/generated from financing activities	(6,462)	10,792	32,208	14,264	(5,812)
Net increase/(decrease) in cash and cash equivalents	22,439	(5,314)	13,398	(15,763)	(37,983)
Cash and cash equivalents at beginning of the years/periods	20,694	43,139	37,848	37,848	51,365
Exchange gains/(losses) on cash and cash equivalents	6	23	119	42	(88)
Cash and cash equivalents at end of the years/periods	43,139	37,848	51,365	22,127	13,294

Key Financial Ratios

	FY2015	FY2016	FY2017	4M2017	4M2018
Gross profit margin (%) ⁽¹⁾	12.2	16.1	20.6	17.9	21.9
Net profit margin (%) ⁽²⁾	1.3	8.2	8.1	2.6	6.9
Return on equity (%) ⁽³⁾	30.7	88.4	80.5	N/A	N/A
Return on total assets (%) ⁽⁴⁾	3.5	21.8	19.0	N/A	N/A

	As at 31 March			As at
	2015	2016	2017	31 July
				2017
Current ratio ⁽⁵⁾	0.9	1.1	1.1	1.2
Gearing ratio (%) ⁽⁶⁾	63.4	26.1	52.2	38.7
Net debt to equity ratio (%) ⁽⁷⁾	Net cash	Net cash	Net cash	20.2

SUMMARY

Notes:

- (1) Gross profit margin for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated on gross profit divided by turnover for the respective year/period.
- (2) Net profit margin for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated on profit for the year divided by turnover for the respective year/period.
- (3) Return on equity for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated based on the profit for the year for the respective periods divided by the total equity attributable to the Shareholders as at the respective year/period and multiplied by 100%.
- (4) Return on total assets for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated based on the net profit for the respective year/period divided by the total assets of the respective years/period and multiplied by 100%.
- (5) Current ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 were calculated based on the total current assets as at the respective date divided by the total current liabilities as at the respective date.
- (6) Gearing ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 were calculated based on the total debt as at the respective date divided by total equity as at the respective date and multiplied by 100%.
- (7) Net debt to equity ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 was calculated based on net debts (being total borrowings net of cash and cash equivalents) as at the respective date divided by total equity as at the respective year/period.

Gross profit margin

The overall increase in gross profit margin was mainly due to increase in total gross profit generated from our Cambodia Factory which was of higher gross profit margin given (i) the lower labour costs and economies of scale we enjoyed and (ii) high demand for production capacity in Cambodia which was driven by preferential tariff treatment provided by various countries for products manufactured in Cambodia.

Net profit margin

Our net profit margin increased from FY2015 to FY2016 mainly due to the combined effect of (i) increase in gross profit margin in FY2016 as compared to FY2015; and (ii) gain on disposal of an investment property. Our net profit margin remained stable for FY2016 and FY2017 mainly due to the combined effect of (i) increase in gross profit margin in FY2017 as compared to FY2016; (ii) absence of gain on disposal of an investment property; and (iii) listing expenses. Our net profit margin increased from 2.6% in 4M2017 to 6.9% in 4M2018 which was mainly due to the combined effect of (i) increase in gross profit margin from 17.9% in 4M2017 to 21.9% in 4M2018; (ii) absence of realised losses on derivative financial instruments; and (iii) listing expenses.

Return on equity

The increase from FY2015 to FY2016 was mainly due to increase in our profit for the year. The decrease in FY2017 was mainly due to increase in total equity as a result of increase in accumulation of our profit despite increase in our profit for the year.

Return on total assets

The increase from FY2015 to FY2016 was mainly due to increase in our profit for the year. The decrease in FY2017 was mainly due to increase in current assets such as trade receivables and cash and cash equivalents.

Current ratio

The increase in current ratio from 2015 to 2016 was mainly due to increase in current assets such as trade receivables and cash and cash equivalents from our operations. The current ratio remained relatively stable at 31 July 2017.

SUMMARY

Gearing ratio

The decrease in our gearing ratio from 2015 to 2016 was mainly due to decrease in borrowings as at 31 March 2016. The increase in 2017 was mainly due to increase in interest bearing bank borrowings for our operation. Our gearing ratio then decreased to 38.7% as at 31 July 2017 mainly due to increase in our total equity due to the accumulation of profit and that no dividend was paid during 4M2018.

Net debt to equity ratio

We were in net cash position as at each of the years ended 31 March 2015, 2016 and 2017. Our net debt to equity ratio was 20.2% as at 31 July 2017 mainly as a result of decrease in cash and cash equivalents.

For further details, please see “Financial Information – Key Financial Ratios” section.

Key Operating Indicators

The following table sets forth, for the periods indicated, the total revenue, the respective quantity sold and the respective average selling price:

FY2015			FY2016			FY2017			4M2017			4M2018		
Revenue	Sales Quantity	Average Selling Price	Revenue	Sales Quantity	Average Selling Price	Revenue	Sales Quantity	Average Selling Price	Revenue	Sales Quantity	Average Selling Price	Revenue	Sales Quantity	Average Selling Price
HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit
546,043	10,301	53.0	585,940	10,469	56.0	677,214	12,101	56.0	193,911	3,465	56.0	237,905	4,653	51.1

During the Track Record Period, revenue generated by sales of products manufactured by our Dongguan Factory, by our sub-contractors at their own manufacturing facilities in the PRC and by our Cambodia Factory are set out below:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	Revenue HK\$ million	%	Revenue HK\$ million	%	Revenue HK\$ million	%	Revenue HK\$ million	%	Revenue HK\$ million	%
<i>In the PRC</i>										
Dongguan Factory ⁽¹⁾	444.5	81.4	396.9	67.7	349.4	51.6	112.3	57.9	82.9	34.8
Off-site sub-contracting arrangements ⁽²⁾	216.5	39.6	149.1	25.4	124.7	18.4	47.3	24.4	23.8	10.0
<i>In Cambodia</i>										
Cambodia Factory	228.0	41.8	247.8	42.3	224.7	33.2	65.0	33.5	59.1	24.8
Total	546.0	100.0	585.9	100.0	677.2	100.0	193.9	100.0	237.9	100.0

Notes:

- (1) All manufacturing workers in our Dongguan Factory are provided by a sub-contractor under on-site sub-contracting arrangements during the Track Record Period.
- (2) This includes products manufactured under off-site sub-contracting arrangements where the relevant sub-contractor was engaged to manufacture the entire product, as opposed to conducting part of the production process, at their own facilities.

SUMMARY

During the Track Record Period, our revenue increased from HK\$546.0 million for FY2015 to HK\$677.2 million for FY2017, representing CAGR of 11.4%, while our quantity sold increased from 10.3 million units for FY2015 to 12.1 million units for FY2017, representing CAGR of 8.4%. Our revenue increased from HK\$193.9 million in 4M2017 to HK\$237.9 million in 4M2018, representing an increase of 22.7%.

Listing-related Expenses

Total expenses in relation to the Listing amounted to approximately HK\$40.0 million. During the Track Record Period, we incurred Listing expenses of HK\$4.1 million and HK\$13.3 million in FY2017 and 4M2018, respectively and we expect to incur additional listing expenses of HK\$22.6 million. In FY2017 and 4M2018, HK\$4.1 million and HK\$13.3 million, respectively were recognised as administration expenses in our consolidated statements of profit or loss, and approximately HK\$8.6 million is expected to be recognised as administrative expenses in FY2018. HK\$14.0 million is expected to be recognised as a deduction in equity.

CONTROLLING SHAREHOLDERS' INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), members of the Ma Family, being Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, and Wah Sun Holdings will become our Controlling Shareholders and control the exercise of 75% voting rights in the general meeting of our Company. Members of the Ma Family are a group of Controlling Shareholders acting in concert pursuant to the Acting in Concert Deed, in which each of them has agreed, inter alia, to consolidate their respective interests in Wah Sun Holdings and our Company and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner, and has confirmed their intention to continue to act in concert upon the Listing.

For the respective background of the members of the Ma Family, see "Directors, Senior Management and Employees – Directors – Executive Directors".

RECENT DEVELOPMENTS

Our Directors confirm that as at the Latest Practicable Date, as far as we are aware, except as disclosed in this prospectus, there has been no material change in the market and regulatory environment in our industry that had materially and adversely affected our business operations or financial conditions since 31 July 2017. Our Company declared an one-off and non-recurring dividend of HK\$20.0 million on 2 January 2018. Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 July 2017, being the date to which our latest audited combined financial information was prepared and up to the date of this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.19, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$79.0 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 45%, or HK\$35.6 million, will be used for expansion of our production facilities in Cambodia;
- (ii) approximately 15%, or HK\$11.9 million, will be used for establishing a product development team in Cambodia to cater for the expansion in production facilities in Cambodia;
- (iii) approximately 10%, or HK\$7.9 million, will be used for upgrading existing software and hardware of the Dongguan Factory and Cambodia Factory;
- (iv) approximately 10%, or HK\$7.9 million, will be used for refurbishment of the existing showroom, workshop and ancillary office in Hong Kong, our Dongguan Factory and Cambodia Factory;

SUMMARY

(v) approximately 10%, or HK\$7.9 million will be used for installing showrooms in our production bases in Dongguan and Cambodia; and

(vi) approximately 10%, or HK\$7.9 million, will be used for general working capital.

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

STATISTICS OF THE GLOBAL OFFERING

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared on the basis set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 as if the Global Offering had taken place on that date assuming the Over-allotment Option is not exercised:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 (Note 1) HK\$'000	Estimated net proceeds from the Global Offering (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets per ordinary share (Note 3) HK\$
Based on an Offer Price of HK\$1.00 per share	<u>85,240</u>	<u>78,344</u>	<u>163,584</u>	<u>0.41</u>
Based on an Offer Price of HK\$1.38 per share	<u>85,240</u>	<u>114,441</u>	<u>199,681</u>	<u>0.50</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 is extracted from the Accountant’s Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 31 July 2017 of HK\$85,240,000.
- (2) The estimated net proceeds for the purpose of unaudited pro forma adjusted combined net tangible assets of the Group are based on the indicative Offer Price of HK\$1.00 and HK\$1.38 per Share, respectively, after deduction of the underwriting fees and other related expenses to be paid by the Group (excluding the listing expenses which have been charged to profit or loss up to 31 July 2017) and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (3) The unaudited pro forma adjusted combined net tangible assets per ordinary share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 ordinary shares were in issue assuming that the Global Offering has been completed on 31 July 2017 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (4) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group does not take into account the dividend of approximately HK\$20.0 million declared by the Group on 2 January 2018. The unaudited pro forma adjusted combined net tangible assets per Share would have been HK\$0.36 and HK\$0.45 per Share based on the Offer Price of HK\$1.00 and HK\$1.38, respectively, after taking into account the declaration of dividend in the sum of approximately HK\$20.0 million.

SUMMARY

Assuming both the Over-allotment Option and any options that may be granted pursuant to the Share Option Scheme will not be exercised, based on the indicative offer price range of HK\$1.00 to HK\$1.38 per Share, the estimated market capitalisation of the Company immediately after the Listing will be HK\$400.0 million to HK\$552.0 million, respectively.

DIVIDEND AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to its then shareholders was HK\$10.0 million, HK\$20.0 million, HK\$40.0 million and nil for FY2015, FY2016, FY2017 and 4M2018, respectively. The dividends declared for FY2015, FY2016 and FY2017 have been settled. On 2 January 2018, our Company declared an one-off and non-recurring dividend of HK\$20.0 million. It is expected that the one-off and non-recurring dividends will be paid prior to the Listing Date by utilising (i) the net balance of amounts due to/from related parties to be received by our Group before Listing; (ii) available cash and cash equivalent; and (iii) internal resources generated from the Group's operating activities.

Subject to Companies Law and other applicable laws and regulations, we currently target to distribute to our Shareholders no less than 35% of our distributable profits for any particular financial year. We cannot assure you that we will be able to distribute dividend of the above amount or any amount or at all, in any particular financial year. The declaration and payment of dividend may also be limited by legal restrictions, loans or other agreements that we have entered into or may enter into in future.

Please see "Financial Information – Dividend and Dividend Policy" section for details on our dividend.

SALES TO COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we sold our exported handbag products in the ordinary course of business to customers ("**Relevant Customers**") with Lebanon, Serbia and Russia as export destinations. Our revenue derived from sales to these customers in FY2015, FY2016, FY2017 and 4M2018, accounted for approximately 0.1%, 0.2%, 0.5% and 0.6% of our total revenues for the respective periods.

As advised by our International Sanctions Legal Advisers, based on the procedures conducted by them as specified in "Business – Legal and Compliance – Business Activities with customers from Countries subject to International Sanctions", our activities during the Track Record Period do not implicate any applicable International Sanctions on our Group, or any person or entity, including our Company's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees. None of the contracting parties are specifically identified on the OFAC lists including the Specially Designated Nationals List or the Sectoral Sanctions Identifications List, or other restricted parties lists maintained by the European Union, the United Nations or Australia and therefore would not be deemed to be sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the United States, the European Union, the United Nations or Australia and therefore are not deemed to be prohibited activities under the International Sanctions laws and regulations.

SUMMARY

Our Directors do not expect any significant increase or decrease in our Group’s sales to customers with Countries subject to International Sanctions as export destinations after our Listing. Please see “Risk Factors – We could be adversely affected as a result of our sales to certain countries that are, or become subject to, economic sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities” for further details.

LEGAL COMPLIANCE

During the Track Record Period, we were not in full compliance with certain PRC and Cambodia laws and regulations leading to certain historical systemic non-compliance incidents. Wah Sun Cambodia has not obtained certain permits in relation to the construction of some of its buildings (completed and/or under construction) on its leased land in Cambodia. Our Directors confirm that construction works in respect of the buildings under construction had been suspended voluntarily until all relevant permits have been obtained. Please see “Business – Legal and compliance – Systemic non-compliance” section for more information.

Prohibition on Child Labour

We are prohibited by the laws of Cambodia as well as the guidelines of our major end customers from employing child labour. In general, our major customers require us to observe various guidelines in respect of the prohibition of use of child labour, which include (i) to fully comply with all applicable national and/or local laws and regulations, including but not limited to those related to child labour and juvenile workers (if any); (ii) not to employ child labour, which is generally defined as person below the age of 15 or 16. If local legislation defines a higher age, the higher age limit shall be respected; and (iii) to prohibit any juvenile worker, which is generally defined as persons between the ages of 15 or 16 and the age of 18, to work overtime, night shifts or in hazardous conditions. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with child labour related laws and the guidelines in all material respects. Further, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints, claims or legal actions from our customers or otherwise in relation to our Group’s compliance with child labour related laws or guidelines. Please see “Regulatory Overview – Regulatory requirements in Cambodia – Laws and regulations relating to labour and employment” section for details of applicable child labour laws in Cambodia and “Business – Employees – Prohibition on Child Labour” for our policies and measures against use of child labour.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“4M2017”	the four months ended 31 July 2016
“4M2018”	the four months ended 31 July 2017
“Acting in Concert Deed”	the acting in concert deed dated 24 June 2017 entered into by each of the members of the Ma Family, being Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man, confirming their acting in concert (as such term is defined in the Takeovers Code) arrangements on each of Wah Sun Holdings, Wah Sun BVI and members of the Group since their respective date of incorporation, as well as their intention to continue to act in concert upon the Listing
“Application Form(s)”	the WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them to be used in connection with the Hong Kong Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 2 January 2018 and effective on the Listing Date, a summary of which is contained in Appendix III, and as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Cambodia”	the Kingdom of Cambodia
“Cambodia Factory”	our production base located in Bostaney Village, Kaheng Commune, Samrong Tong District, Kampong Speu Province, Cambodia
“Cambodia Legal Advisers”	Mekong Law Group, our legal advisers as to Cambodia law

DEFINITIONS

“Cambodian Government”	the Royal Government of Cambodia
“Cambodian Parliament”	the National Assembly and the Senate of the Kingdom of Cambodia
“Capitalisation Issue”	the allotment and issue of 299,990,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Further Information about our Company – Written resolutions of our Sole Shareholder passed on 2 January 2018” in Appendix IV
“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
“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 Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CG Code”	Corporate Governance Code in Appendix 14 to the Listing Rules, as amended from time to time
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Manager”	Aristo Securities Limited, a corporation licensed to conduct type 1 (dealing in securities) regulated activity under the SFO
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS

“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 or supplemented from time to time
“Company” or “our Company”	Wah Sun Handbags International Holdings Limited 華新 手袋國際控股有限公司, a company incorporated in the Cayman Islands with limited liability on 29 May 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus unless otherwise requires, refers to Wah Sun Holdings, Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung or any of them
“core connected person”	has the meaning ascribed to it under the Listing Rules
“Countries subject to International Sanctions”	are countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Deed of Indemnity”	a deed of indemnity dated 2 January 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) in relation to certain indemnities, details of which are set out in “Other Information – Tax and other Indemnities” in Appendix IV
“Deed of Non-competition”	a deed of non-competition dated 2 January 2018 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) in relation to certain non-competition undertakings, details of which are set out in “Relationship with Controlling Shareholders – Deed of Non-Competition”

DEFINITIONS

“Directors” or “our directors”	the directors of our Company
“Dongguan Factory”	our production base located at Changfu Industrial Park, Fushan Village, Liaobu Town, Dongguan, the PRC (東莞市寮步鎮梟山村長富工業區)
“Dongguan Quickmind”	Dongguan Quickmind Handbag Factory Co., Ltd.* 東莞創思手袋有限公司, formerly known as Dong Guan Huasing Bag Manufactory Co. Ltd.* 東莞華新手袋廠有限公司, a wholly foreign owned enterprise incorporated under the laws of the PRC with limited liability on 15 March 1994, and an indirect wholly-owned subsidiary of the Company
“F&S Report”	the independent industry report commissioned by us and prepared by Frost & Sullivan
“Frost & Sullivan”	Frost & Sullivan International Limited, the industry consultant of our Company
“FY” or “financial year”	financial year of our Company ended or ending 31 March
“FY2015”	financial year of our Company ended 31 March 2015
“FY2016”	financial year of our Company ended 31 March 2016
“FY2017”	financial year of our Company ended 31 March 2017
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standard issued by 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

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	10,000,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
“Hong Kong Public Offer”	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, particulars of which are set forth in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Boardroom Share Registrars (HK) Limited
“Hong Kong Underwriters”	the underwriters listed in “Underwriting – Hong Kong Underwriters”, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 9 January 2018 relating to the Hong Kong Public Offer entered into by, among others, the Company and the Hong Kong Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“independent third party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of the Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure of the Global Offering”

DEFINITIONS

“International Placing Shares”	90,000,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Sanctions”	sanction-related laws and regulations issued by the United States, the European Union, the United Nations or Australia
“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws
“International Underwriters”	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, the Company and the International Underwriters on or about the Price Determination Date, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“KHR”	Cambodian riel, the legal currency of Cambodia
“Latest Practicable Date”	1 January 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around 22 January 2018, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

DEFINITIONS

“Ma Family”	Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our Controlling Shareholders and executive Directors
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 2 January 2018, as amended or supplemented from time to time
“MOFCOM”	the Ministry of Commerce of the PRC
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.38 and expected to be not less than HK\$1.00, such price to be determined by agreement between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date
“Offer Price Range”	HK\$1.00 to HK\$1.38 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 15,000,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, among other things (such as effecting the permitted stabilising actions as set out in the section headed “Structure of the Global Offering – Stabilisation”), cover over-allocations in the International Placing, if any, as further described in “Structure of the Global Offering”
“Phase 2 Production Plant”	a factory building with gross floor area of around 12,000 sq.m. expected to be constructed under phase two of the expansion plan of our Cambodia Factory which is expected to be completed in or around second half of the year 2018

DEFINITIONS

“Phase 3 Production Plant”	a factory building with gross floor area of around 10,000 sq.m. expected to be constructed under phase three of the expansion plan of our Cambodia Factory which is expected to be completed in or around second half of the year 2019
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	generally accepted accounting principles in the PRC
“Price Determination Date”	the date expected to be on or around 16 January 2018, but no later than 18 January 2018, on which the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) determine the Offer Price for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History and Development – The Reorganisation”
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., the European Union, the United Nations or Australia
“SAT”	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
“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 or supplemented from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 2 January 2018, the principal terms of which are summarised in “Share Option Scheme” in Appendix IV
“Shareholder(s)”	holder(s) of Shares
“Sole Bookrunner”	DBS Asia Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
“Sole Global Coordinator”	DBS Asia Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
“Sole Lead Manager”	DBS Asia Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
“Sole Sponsor”	DBS Asia Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
“sq.m.”	square meters
“Stabilising Manager”	DBS Asia Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2015, FY2016, FY2017 and 4M2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Union Gold”	Union Gold Holdings Limited 達金集團有限公司, a company with limited liability incorporated in Hong Kong on 1 April 2012 and an indirect wholly-owned subsidiary of our Company
“US\$”, “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“Wah Sun BVI”	Wah Sun Global Development Limited 華新環球發展有限公司, a company incorporated in the BVI with limited liability on 25 May 2017 and a direct wholly-owned subsidiary of our Company
“Wah Sun Cambodia”	វ៉ា សាន់ អេមខេ ហ្វេកទ័រី (ខេមបូឌា) Wah Sun HK Factory (Cambodia) Co., Ltd, a company incorporated in Cambodia on 31 January 2013 and an indirect wholly-owned subsidiary of our Company
“Wah Sun HK”	Wah Sun Hand-Bag Factory Co. Limited 華新手袋廠有限公司, a company with limited liability incorporated in Hong Kong on 28 February 1989 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Wah Sun Holdings”	Wah Sun International Holdings Limited 華新國際控股有限公司, a company incorporated in the BVI with limited liability on 10 May 2017 and a Controlling Shareholder which entire issued share capital was owned as to 20% by each of Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited in CCASS
“%”	per cent.

* *For identification purpose only*

In this prospectus, unless expressly stated or the context requires otherwise:

- *all data in this prospectus is as at the date of this prospectus.*
- *percentage shareholding of the Company upon or after the completion of Global Offering and the Capitalisation Issue represents percentage shareholding calculated on the basis without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.*

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The name in Chinese language is the official name of each such company or entity, while that in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or meaning or usage as used by others.

“fast fashion”	a term used to refer to the manufacture and design (on an accelerated design, production and distribution cycle) of products which are based on the latest fashion trends and typically offered at a lower price to mainstream consumers
“OEM”	original equipment manufacturing or original equipment manufacturer (as the case may be), a term used to refer to arrangements under which products are manufactured in whole or in part in accordance with the customer’s specifications and are marketed under the customer’s own brand names. A manufacturer that manufactures products under such arrangements is an original equipment manufacturer
“PU”	polyurethane, which is typically called synthetic leather or imitation leather, coming in a thin form as an alternative to lamb or goat skin and generally more eco-friendly, lighter in weight, water-resistant and stronger in composition, which makes polyurethane an alternative to PVC as a reinforcement material to strengthen and enhance the appearance of handbags
“PVC”	polyvinyl chloride, which is typically called synthetic leather or imitation leather and an alternative as shell material used in the making of handbag and small leather good. It comes in many varieties which are used in fashion design and can also be used as a reinforcement material to strengthen and enhance the appearance of handbags

FORWARD-LOOKING STATEMENT

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” sections in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the “Risk Factors” section in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our profit estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the industries in which we operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in Hong Kong, the PRC and Cambodia relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, the PRC and Cambodia;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENT

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to 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 information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the “Risk Factors” section in this prospectus.

RISK FACTORS

You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If the preferential policies and import duty treatments we currently enjoy become unavailable or otherwise change or terminate, it could adversely affect our business and profitability.

Following the adoption of the Generalised System of Preferences Programme by the United States and Japan respectively, the General Preferential Tariff by Canada and the “Everything But Arms” scheme by the European Union, Cambodia enjoys duty-free exports, quota-free exports and/or preferential tariff treatment of certain goods including handbags to the United States, Japan, Canada and member states of the European Union. With that said, the Generalized System of Preferences program expired on 31 December 2017; accordingly, all eligible goods to the U.S. from all beneficiary countries and territories under the program including Cambodia are subject to non-preferential duties from 1 January 2018. As of the date of this prospectus, the U.S. Congress has not re-authorized its renewal of the program.

One of our two production facilities is located in Cambodia, which sales account for 18.6%, 32.3%, 48.4% and 65.2% of our total revenue during the Track Record Period, and 91.2%, 88.8%, 89.0% and 92.1% of our total revenue during the Track Record Period were generated by export to the North America and Europe. In the event that there is any alteration to or non-renewal of any of the preferential policies and import duty treatments we currently enjoy, our profitability from sales to those countries may be adversely affected.

Adverse changes in the North American and European market may affect our revenue and profit.

The North America and the European Union markets are the largest markets for our products. For FY2015, FY2016, FY2017 and 4M2018, sales of our products that are exported to North America accounted for 87.5%, 76.3%, 71.5% and 68.5%, respectively of our total turnover and sales of our products that are exported to Europe accounted for 3.7%, 12.5%, 17.5% and 23.6%, respectively of our total turnover. For each of FY2015, FY2016, FY2017 and 4M2018, sales of our products that are exported to North America, amounted to HK\$478.0 million, HK\$447.0 million, HK\$484.3 million and HK\$163.1 million, respectively, and sales of our products that are exported to Europe amounted to HK\$20.1 million, HK\$73.1 million, HK\$118.4 million and HK\$56.1 million, respectively. If the demand for our products from the North American and European market drops as a result of any economic and political uncertainties, our Group’s business and profit will be adversely affected.

RISK FACTORS

We rely on our major customers and our customer concentration may expose us to risks relating to fluctuations or decline in our revenue.

Our sales to our top five customers during the Track Record Period amounted to HK\$540.1 million, HK\$528.4 million, HK\$536.2 million and HK\$188.2 million, which accounted for 98.9%, 90.2%, 79.2% and 79.1%, respectively, of our total revenue for each of FY2015, FY2016, FY2017 and 4M2018. Sales to our largest customer for each of the FY2015, FY2016, FY2017 and 4M2018 amounted to HK\$318.0 million, HK\$235.3 million, HK\$177.9 million and HK\$59.4 million, respectively, representing 58.2%, 40.2%, 26.3% and 25.0% of our total revenue, respectively.

Given that our Group is not the exclusive supplier to these top five customers, and that the group of companies to which certain of these top five customers belong are fashion conglomerates that provide fashion items other than non-leather handbag, it is our Director's understanding that these top five customers have suppliers other than our Group. We have not entered into long-term contracts with our major customers. There is no assurance that our business relationship with our major customers will continue in the future. In the event that any of our major customers significantly reduce their orders placed with us or our business relationship with them terminates, we may not be able to maintain the same sales volume with the remaining customers or attract new customers with the ability or willingness to contribute to the same amount of sales as our major customers have been contributing, which may adversely affect our business and profitability.

Even if we are able to maintain our business relationship with our major customers, the popularity of their brands may decline for reasons of changes in consumer trends or preferences in the fast fashion market, a loss of goodwill and reputation of them or other reasons. In addition, the decline of popularity in their brands in one region may affect the popularity of such brands in other regions, and the decline of popularity in one or some lines of their products may affect their other lines of products, which may all in turn adversely affect our operations as well as financial results.

We had net cash used in operating activities for 4M2018. Failure to manage our liquidity and cash flows may materially and adversely affect our business, results of operations and financial condition.

In 4M2018, our net cash used in operating activities was HK\$19.7 million and there was negative changes in working capital of HK\$42.3 million for the same period. Such negative changes in working capital primarily reflected increase in trade receivables and inventories as a result of increase in sales and purchase of raw materials to cater for our business needs. Our ability to generate adequate cash inflows from operating activities in the future will depend in large part on our ability to collect receivables from our customers in a timely manner. If we are not able to generate sufficient cash flows from our operations or obtain sufficient financing to support our business operation, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

RISK FACTORS

Our customers may not be able to successfully catch or respond to the fast changing fashion trends and consumers' demands for handbags.

The styles of handbags change from time to time, depending on the fashion trends, fluctuations in consumer preferences and demand, as well as other factors. In order to achieve continued success, our customers, which include fast fashion brand owners or sourcing companies must be able to predict, identify and respond promptly to such changes. In addition, the purchasing power of consumers and their spending patterns may also be affected by economic conditions. Hence, if our customers fail to anticipate and respond rapidly and effectively to the fast changing fashion trends and consumers' demand, they may not be able to maintain their sales revenue and as a result, our customers' demand for orders from us may decrease and our operating results may be materially and adversely affected.

Our success depends on our customers' ability to successfully sell their products developed and sold by us and demand for such products can be volatile.

Demand for the goods that we manufacture depends to a significant extent on a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation in the regions in which the products we manufacture are sold. The success of our products in the global market will also depend significantly on the global economy and the end customers' growing consumption of fast fashion products globally.

A majority of our customers are brand owners, brand licensees and sourcing companies. Consequently, our results of operations are directly affected by the success of our customers in their business. Our customers may not be able to market and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. Under those circumstances, our customers may not order new products or decrease the quantity or purchase price of their orders, which could adversely affect our results of operations and revenue from such customers. Accordingly, our success depends on our customers' ability to successfully sell their products that are developed and sold by us.

In addition, we are expanding our manufacturing capabilities to prepare for an increase in demand for our products that we currently anticipate and our ability to profit from this recent expansion and any future expansions will in turn depends on continued customer demand for the products that we manufacture. An economic downturn in one or more of the principal markets in which the products we manufacture are sold could significantly decrease demand for those products, reducing the number of purchase orders we receive from our customers and limiting our ability to fully utilise our expanded manufacturing capabilities, which could have a material adverse effect on our business, financial conditions and results of operations. This is particularly so as handbags are generally considered discretionary consumption items and the handbag industry is very sensitive to changes in the economy.

RISK FACTORS

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against the Hong Kong dollar and the U.S. dollar and other currencies is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the U.S. dollar, and adopted a more flexible floating exchange rate system to allow the value of RMB to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies.

With an increased floating range of RMB value against foreign currencies, RMB may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term.

Certain of our purchases and our assets are denominated in RMB. However, most of our sales proceeds will be received in U.S. dollar. As a result, any appreciation of RMB against the Hong Kong dollars may result in the increase in our cost of sales. As we do not have a foreign currency hedging policy, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs.

We have entered into forward foreign currency contracts during the Track Record Period. If we use derivative financial instruments in the future, such instruments may materially and adversely affect our financial condition and results of operations.

During the Track Record Period, we have entered into forward foreign currency contracts to sell USD and to purchase RMB. As at 31 March 2015, 2016 and 2017 and 31 July 2017, our forward foreign currency contracts amounted to HK\$16.4 million, HK\$19.9 million, nil and nil, respectively. During FY2015, FY2016, FY2017 and 4M2018, the realised gains/losses on the contracts amounted to gain of HK\$0.7 million, loss of HK\$5.9 million, loss of HK\$10.3 million, and nil, respectively, while the unrealised losses on forward foreign currency contracts amounted to loss of HK\$8.3 million and HK\$3.5 million in FY2015 and FY2016, respectively.

The fair value of derivative financial instruments purchased by us were determined by using valuation techniques and were recorded in accordance with applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts. Such treatment of gain or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations. For further details, please refer to the section "Financial Information – Description of Certain Items of Combined Statements of Financial Position – Derivative financial instruments".

RISK FACTORS

We plan to expand our production facilities in Cambodia by purchasing additional production equipment, such expansion may result in increase in depreciation expenses and may adversely affect our financial results and conditions.

For the year ending 31 March 2018, we estimate that the capital expenditures will amount to HK\$14.2 million due to our proposed expansion plan, among which (i) HK\$9.7 million is for buildings, (ii) HK\$3.8 million is for plant machinery and moulds, and (iii) HK\$0.7 million is for furniture and fixtures.

Depreciation of property, plant and equipment are calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives. It is expected that (i) buildings; (ii) plant, machinery and moulds; and (iii) furniture and fixtures will each depreciate at a minimum rate of 5%, 20% and 20% per year, resulting in estimated increase in depreciation expenses of HK\$338,000, HK\$552,000 and HK\$90,000, respectively for the year ending 31 March 2018. With the intended construction and acquisition of additional production facilities and equipment, it is expected that such additional depreciation expenses will be recognised in our profit or loss over the estimated useful period and may adversely affect our financial results and conditions.

For details as to our expansion plan, please refer to “Business – Our Business Strategies – Enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia” section.

We are dependent on our sub-contractors to implement certain contracts.

From time to time, we engage sub-contractors to arrange for workers to manufacture the products we ordered on-site in our Dongguan Factory. We also engage sub-contractors to manufacture our ordered products out of our Dongguan Factories at their facilities. We may sub-contract the manufacturing of whole product or part of the production process to sub-contractors. Ms. Zhang, a previous shareholder and director of Wah Sun Cambodia, was the owner of one of our sub-contractors during the Track Record Period. As our Group did not sign any long term contracts with our major sub-contractors, there is no assurance that they will be able to continue to provide services to our Group at prices acceptable to our Group or whether our Group can maintain its relationship with them in the future. In the event that any of our major sub-contractors is unable to provide the required services to our Group and we are unable to obtain alternative providers on similar or more favourable term to us, or if the costs for them to provide those required services increase substantially, our business, results of operations, profitability and liquidity may be adversely affected.

Further, there is no assurance that we are able to monitor the performance of our sub-contractors as directly and efficiently as with our own staff. If a sub-contractor fails to provide services as required under a contract, we may be required to source these services on a delayed basis or at a higher price than anticipated, which could impact our profitability. If the sub-contractor’s performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims. We may also need to undertake reworks which may adversely affect our gross profit, business and results of operations.

RISK FACTORS

We may face labour shortages, increases in labour costs and labour disputes which could adversely affect our growth and results of operations.

Labour costs directly associated with the manufacturing of our products is a significant component in the cost of manufacturing our products, amounting to 12.8% of our revenue for FY2017. Our manufacturing operations are labour-intensive. As a result, our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. If we face labour shortages or significant increases in labour costs because of changes in labour law and regulations, increasing competition for employees, higher employee turnover rates, increase in wage or increase in other employee benefits costs, our operating expenses could increase and our growth could be materially and adversely affected.

The cost of labour in Cambodia and PRC have been increasing over the past several years as a result of union-spurred and government-mandated wage increases and other changes in Cambodia and PRC labour laws, as well as increasing competition for skilled workers among manufacturers. Starting from January 2016, health care insurance in Cambodia became effective, which includes requirements with respect to the monthly contribution by employer to the Cambodia National Social Security Fund. Benefits of the health care scheme include preventive health service, treatment and medical care service, and daily allowances during work suspension resulting from disease treatment or accidents other than occupational risk and maternity leave. The health care insurance scheme covers all manufacturing facilities, as well as all of our employees in Cambodia, and involves enhanced compliance and enforcement measures. As a result, we have incurred and will continue to incur increased costs to ensure that our facilities and employees are in compliance with these and any other applicable labour laws that are implemented in the future.

We cannot assure you that future labour disputes or incidents will not occur. If they do occur, they could interrupt our operations, harm our reputation and divert our management's attention and resources, which could have a material adverse effect on our business operations and financial condition. In addition, we may be liable for fines assessed by the relevant governmental authorities or incur settlement costs in order to resolve labour disputes and become subject to higher labour costs in the future when recruiting new employees due to the reputation damage caused by labour disputes or related incidents.

We may experience a decrease or discontinuation of tax incentives which may adversely affect our financial condition.

Our income tax expenses were HK\$4.4 million, HK\$3.6 million, HK\$8.4 million and HK\$3.5 million for FY2015, FY2016, FY2017 and 4M2018, respectively, while the effective tax rate for each of these periods was 37.7%, 7.0%, 13.2% and 17.4%, respectively. The exceptionally low effective tax rate in FY2016 was mainly due to (i) income not being subject to tax mostly arising from gain on disposal of an investment property of HK\$16.8 million which is capital in nature; and (ii) tax holiday with full exemption from Cambodia corporate income tax on assessable profits of Wah Sun Cambodia, one of our wholly-owned subsidiaries, for four financial years starting from 1 January 2015 pursuant to the Cambodia tax laws.

RISK FACTORS

However, there can be no assurance such tax holiday will continue to apply to Wah Sun Cambodia starting from 1 January 2019. In the event that any unfavourable change, such as any reduction, discontinuation or cancellation of the aforementioned tax holiday, is adopted, our Group's profitability and financial position may be adversely affected. In particular, if such tax holiday is no longer applicable to Wah Sun Cambodia starting from 1 January 2019, the income tax expense on assessable profits of Wah Sun Cambodia for the year ending 31 March 2019 is expected to increase and the tax rate will be 20% of the assessable profits of Wah Sun Cambodia during the three months ending 31 March 2019, under current tax law.

We face the risk of obsolescence for our inventory.

Our inventories consist of raw materials, work in progress and finished goods we manufactured which are ready to be sold. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity. Our balance of inventories as at 31 March 2015, 2016, 2017 and 31 July 2017 were HK\$48.5 million, HK\$33.7 million, HK\$46.2 million and HK\$58.0 million, respectively. During the Track Record Period, no provision for impairment was recognised.

Our inventory faces obsolescence risks where there are unexpected material fluctuations or abnormalities in the supply and demand of raw materials and finished goods by suppliers and customers, respectively, or where there are changes in end customers' preferences, which may lead to decreased demand and overstocking of raw material. Apart from material reduction in demand for certain products, goods may be returned from customers in large amounts due to, among other reasons, delayed or wrong delivery. Such returned goods may result in shelving of products which increases the risk of obsolescence.

We are subject to credit risk.

During the Track Record Period, our sales were generally made with credit period ranging from 30 to 90 days. For each of FY2015, FY2016, FY2017 and 4M2018, the average trade receivables turnover days were 45 days, 38 days, 43 days and 61 days, respectively. We may be forced to assume greater amounts of credit risk in the future as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. This may be amplified due to the large amount of sales to our major customers, the largest of which represented 58.2%, 40.2%, 26.3% and 25.0% of our revenue for FY2015, FY2016, FY2017 and 4M2018, respectively, while for these same periods our five largest customers represented 98.9%, 90.2%, 79.2% and 79.1%, respectively, of our revenue. As at 31 March 2015, 2016, 2017 and 31 July 2017, our balance of trade receivables was HK\$60.9 million, HK\$61.3 million, HK\$98.1 million and HK\$144.4 million, respectively. If we are forced to assume greater amounts of credit risk and we encounter problems or delays in collecting amounts due from our customers, our liquidity could be negatively affected.

RISK FACTORS

We had net current liabilities position as at 31 March 2015.

As at 31 March 2015, we had net current liabilities of HK\$15.0 million. Our Group recorded net current liabilities as at 31 March 2015 mainly due to increase in trade and bills payables in connection with purchases of raw materials for production. Please see “Financial Information – Net Current Assets and Liabilities” in this prospectus. There is no assurance that the Group will not experience net current liabilities position in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to implement our business strategies effectively.

In light of the competitive environment and pricing pressures, our ability to continue to grow our business will increasingly depend on our continuing ability to successfully implement our business strategies, including enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia, upgrading and up-keeping of our production facilities, enhancing and expanding our pre-production product development services and strengthening and broadening our customer base.

Our ability to implement our business strategies depends on, among other things, global economic conditions, our ability to continue to maintain close relationships with our key customers, the continued growth of the fast-fashion market, and the availability of management and financial, technical, operational resources. In the event we are unable to implement these strategies, each of which is subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

We depend on the efficient, proper and uninterrupted operation of our manufacturing facilities.

As at the Latest Practicable Date, we operated two manufacturing facilities with a total of 37 production lines, over 4,750 personnel. Our ability to meet the demand of our customers and grow our business depends on the efficient, proper and uninterrupted operation of our manufacturing facilities. Power failures or disruptions, breakdown, failure or sub-standard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters, such as severe weather, flood, droughts or earthquakes, among other things, could significantly affect our ability to operate our facilities efficiently and meet the needs of our customers. If as a result of events such as these, deliveries to our customers are delayed or we are not otherwise able to fulfill our obligations to our customers, we may need to lower the selling price of our products, which would adversely affect our profitability. Our failure to meet

RISK FACTORS

our customers' demand could also adversely affect our ongoing relationship with them and their decision to purchase products from us in the future. Since we do not currently carry business interruption insurance, we would have to bear any resulting losses ourselves, which could have a material adverse effect on our business, financial conditions and results of operations.

We are subject to risks associated with the overseas sales of our products.

A substantial portion of our turnover is generated from overseas sales as we export our products to overseas customers, and our sales to overseas customers accounted for 99.7%, 99.4%, 99.7% and 99.8% of our sales for FY2015, FY2016, FY2017 and 4M2018, respectively.

We aim to expand our overseas market and continue our overseas sales. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to non-leather handbag;
- exposure to increased overseas litigation risks;
- political and economic instabilities;
- foreign exchange rate exposure;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unfamiliarity with local operating and market conditions;
- competition from local companies;
- foreign taxes;
- environment, safety and labour regulatory compliance; and
- potential disputes and difficulty in managing relationships with overseas customers.

Any of the foregoing and other risks and uncertainties could adversely affect our overseas sales and result in reduced turnover from our overseas operations and sales, which in turn could adversely affect our financial condition and results of operations.

RISK FACTORS

Failure to protect the intellectual property of our customers could harm our business.

Our success depends on our ability to protect the intellectual property of our customers. We can provide no guarantee that our customers' designs and other intellectual property rights that we have access to during the production process will not be misappropriated despite our policies and the precautions that we have taken to protect those rights. In the event that our policies and the precautions we have taken do not adequately safeguard our customers' intellectual property rights, our customers could cease sharing their latest designs with us and even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, results of operations and reputation.

We may become involved in trade secret disputes with regard to our product development and manufacturing processes.

We do not own any intellectual property rights with regard to any of our product development and manufacturing processes. Our trade secrets with respect to these processes, in the form of technical know-how, could be infringed upon by third parties. In order to protect our trade secrets and other proprietary information relating to these processes, we take precautions such as restricting access to our manufacturing facilities. However, we can give no assurances that these measures will provide meaningful protection to our trade secrets and know-how in the event of any unauthorised use, misappropriation or disclosure. If we are unable to maintain the proprietary nature of our production processes, our ability to compete and sustain our margins on certain or all of our products may be affected, which could have a material adverse effect on our business, financial condition and results of operations.

We depend on the services of our key personnel and our ability to attract and retain skilled employees.

We rely on the expertise, experience and customer relationships of all of our executive Directors including Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung and our senior management members including Mr. Lee Chi Wing, Ms. Ng Yuk Chun and Mr. Luk Ming On. If one or more of our executive Directors or any of our senior executives or key employees were unable or unwilling to continue their present positions, we might not be able to replace them easily or at all and our business may be severely disrupted, our business, financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel.

Our ability to continue expanding our business depends on our ability to attract, hire, train and retain skilled employees, in particular due to the level of craftsmanship that goes into a large number of our products. However, we cannot assure you that we will be able to attract, hire, train and retain a sufficient number of employees with the appropriate skills to expand and grow our business. The inability to attract, hire, train and retain a sufficient number of such skilled employees will limit our ability to develop our business, enhance our manufacturing ability, increase our sales or deliver high quality products. In addition, competition for these employees with the appropriate skills could cause us to offer higher compensation and other benefits in order to attract, hire, train and retain them, which would increase our operation costs.

RISK FACTORS

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

Our offices, warehouses, manufacturing facilities and sources of supply are subject to hazards and risks beyond our control that may result in operational breakdowns and interruptions and cause significant damage to persons or property. We may also face exposure to product liability claims in the event that any of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. We carry product liability insurance with respect to the products of certain of our customers, but our product liability policies do not cover all of the products we manufacture and we do not carry business interruption insurance or third-party liability insurance for environmental damage arising from accidents at our facilities, and there are certain types of losses, such as those arising from war, acts of terrorism, typhoons, flooding or other natural disasters for which we are not able to obtain insurance at a reasonable cost or at all. In addition, to the extent our insurance policies do cover particular risks, we cannot assure you that all claims made by us under our insurance policies will be honoured fully or on time by our insurance providers. Should an accident, natural disaster, terrorist act or other event result in an uninsured loss or a loss in excess of insured limits, we could suffer financial loss and damage to our reputation and could lose all or a portion of future revenue anticipated to be derived from the relevant product or facilities. Any material loss not covered by our insurance or reimbursed by our insurance providers could materially and adversely affect our business, financial condition and results of operations.

We are subject to various risks and uncertainties that might affect our ability to procure high quality raw materials at low cost for the products we manufacture.

Our performance, and in particular our margins, depends on our ability to procure high quality raw materials at low cost. For FY2017, the cost of inventories sold accounted for 48.3% of our revenue. Although prices for certain of the raw materials we use, such as PU and PVC, have declined from 2012 to 2015 due to the slump of oil price, they are expected to increase in the foreseeable future according to Frost & Sullivan. According to Frost & Sullivan, the average price of PU is expected to increase to RMB24,592.5 per tonne in 2021 from RMB24,205.8 per tonne in 2016, while the average price of PVC is expected to reach RMB13,790.1 per tonne in 2021 from RMB12,849.3 per tonne in 2016.

Our supply of raw materials is subject to certain risks with respect to the availability and pricing of raw materials, which might limit the ability of our suppliers to provide us with high quality raw materials at low cost and on a timely basis. Furthermore, our suppliers might not be able to adhere to quality control standards we and our customers demand, and we might not be able to identify the deficiency before the materials are shipped to us or our customers. Our suppliers' failure to supply high quality materials at a reasonable cost on a timely basis could mean that we have to incur additional costs in order to source the raw materials from a different supplier, result in cancellations of orders by customers, reduce our ability to sell our products in the future and even damage our reputation. In addition, if we are unable to pass on any resulting increases in costs to our customers, our profitability could be significantly affected.

RISK FACTORS

We purchase our raw materials from over 350 different suppliers during FY2017, the majority of which are located in the PRC. For FY2015, FY2016, FY2017 and 4M2018, purchases attributable to our single largest supplier amounted to 10.7%, 8.0%, 8.3% and 8.2%, respectively, and purchases attributable to our five largest suppliers amounted to 21.7%, 18.8%, 20.1% and 19.6%, respectively, of our total cost of sale. As at the Latest Practicable Date, we had business relationships of over two years with most of our top five suppliers during the Track Record Period. However, we do not enter into long-term purchase agreements with our suppliers. As a result, from time to time we may have to compete with other manufacturers for the raw materials supplied by these suppliers and it is possible that our suppliers may sell their raw materials to our competitors instead of us during times of limited supply. We could lose one or more of our suppliers at any time for these or other reasons beyond our control. The loss of one or more key suppliers could increase our reliance on higher cost or lower quality raw materials from other suppliers, which could affect our profitability. In addition, if we have to increase the number of our suppliers or change the suppliers we use in the future to meet increases in the amount, or change the type of raw materials we require to manufacture our products, we may not be able to locate new suppliers who can provide us with the appropriate supplies of raw materials that we require. Any interruptions to, or decline in, the amount or quality of our raw materials supply could materially disrupt our production or interfere with our ability to meet our obligations to our internationally well-known customers, which could adversely affect our business, financial position and results of operations.

Our results of operations depend on our ability to remain cost competitive.

Under our pricing model, the per unit price of the products we manufacture is determined by reference to the estimated raw material cost, labour cost, production overhead and margin we will earn from the order based on negotiations with our customers. The margin we charge varies depending on factors such as the complexity of the product, the labour and technology involved in the development or production processes, the volume of the order and our relationship with the customer. Our ability to continue to implement our pricing model and maintain our margins will depend on our ability to remain cost competitive, which means we will have to actively manage our cost of sales, and in particular, our cost of raw materials and labour costs.

We generally negotiate and establish raw material costs with our customers as part of the estimated per unit price of a product prior to receiving their purchase orders and, consequently, we have historically been able to pass any increases in raw material prices on to our customers. If our production cost, such as raw materials costs, labour costs and other manufacturing overheads, increases significantly after the sale order is confirmed, we will not be able to pass such increased costs onto our customers. In such event, if we are not able to lower other costs in amounts sufficient to compensate such increased costs, our margins would be negatively impacted which could have a material and adverse effect on our results of operations.

However, we are not the exclusive supplier for, and have not entered into long-term purchase agreements with, any of our customers. Consequently, there is no guarantee that we will be able to continue to pass on such increases to our customers, particularly if our

RISK FACTORS

competitors, in the PRC or elsewhere, are able to better manage their costs and achieve a pricing advantage. To the extent we fail to manage our costs in response to increasing costs, our margins and our cost competitiveness will be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

We may face difficulties in consolidating our existing customer base and developing new customers.

Our customers are mainly located in the North America and Europe and our customers are mostly overseas brand owners, brand licensees and sourcing companies. The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and develop new customers.

There is no assurance that we will be successful to continue to maintain good business relationships with our existing customers or to develop new customers. Moreover, as many of our customers are brand owners, brand licensees and sourcing companies, potential customers may not be willing to place orders with us if our existing customers may be their competitors. If we are not able to expand the volume of businesses with our existing customers or to extend our customer base by adding new customers at desired levels or at all, it could have a material adverse effect on our business, financial condition and results of operations.

We could be adversely affected as a result of our sales to certain countries that are, or become subject to, economic sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely impact our results of operations.

We generate a small amount of our revenue from sales to customers with certain Countries subject to International Sanctions, namely Lebanon, Serbia and Russia, as export destinations. The total amount of revenue generated from sales to such customers in FY2015, FY2016, FY2017 and 4M2018 accounted for approximately 0.1%, 0.2%, 0.5% and 0.6% of our total revenue for the respective periods. As advised by Hogan Lovells, our International Sanctions Legal Advisers, our sales to parties located in these countries during the Track Record Period give rise to a very low risk of penalties or other measures being imposed on us under the International Sanctions laws.

Except as disclosed in the “Business” section, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any activities in connection with any countries, governments, entities or individuals sanctioned by the United States, the European

RISK FACTORS

Union, the United Nations or Australia. In relation to our sales to customers in Lebanon, Serbia and Russia during the Track Record Period, we have not been notified and have no reason to believe that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC or other restricted parties lists, including those maintained by the European Union, the United Nations or Australia. In the absence of any information to the contrary, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are on such lists either. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions imposed by the United States, the European Union, the United Nations or Australia. Therefore, none of our sales to parties located in or other activities in Lebanon, Serbia and Russia would be prohibited activities under the relevant sanctions laws and regulations.

We cannot predict the interpretation or implementation of government policy at the United States federal, state or local levels or the interpretation or implementation of any policy by the European Union, the United Nations or the Government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if the government of the United States, the European Union, the United Nations or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, because sanctions programs evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business activities or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the European Union, Australia and/or other jurisdictions will be willing to make investments, in us, or that they will not divest their investment, which may have an adverse impact on the Global Offering and the future prevailing market price of our Shares. In addition, in the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

Current uncertainty in global economic conditions could materially and adversely affect our business, financial condition and results of operations.

Our operations and performance may be adversely impacted by a deterioration of global economic conditions in the markets in which the products we manufacture are sold. The current global economic environment continues to be uncertain, and may make it difficult for our customers to accurately plan future business activities and could cause our customers to terminate their relationships with us or could cause consumers to slow or reduce their spending on our end customers' products. Furthermore, during challenging economic times, our customers may face issues gaining timely access to sufficient credit, which could reduce the number of purchase orders they place with us. We cannot predict the timing, magnitude or duration of any current or future economic slowdown or subsequent economic recovery, globally, in the United States, Europe or in other regions. These and other economic factors could have a material adverse effect on our business, financial condition and operating results.

RISK FACTORS

There may be potential influx of competition in the handbag manufacturing industry in Cambodia.

As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia, according to the F&S Report. As a result, more handbag manufacturing companies may attempt to enter the market in Cambodia and there may be a potential influx of competition.

As a result of this competitive pressure, we may need to lower our prices in response to the competition in our industry. Accordingly, there is no assurance that we will be able to continue to compete effectively amidst the increased competition in the market. In particular, when one or more of our competitors engage in active price reductions, we may be forced to reduce our prices in order to remain competitive, which may negatively affect our revenue and profitability.

Our industry is highly competitive.

We believe that there are a considerable number of handbag OEMs that compete to manufacture products for fast fashion customers. In addition, our industry is characterised by frequent introduction of new styles, short product life cycles, price sensitivity, and customers' focus on quality and timely delivery. As a result, competition to serve the mass-market fast fashion brands is intense. We compete with our competitors primarily on the basis of quality, consistency in producing products in volume, timeliness of delivery, the ability to meet customers' specific product requirements, which may involve a wide variety of styles, and price. At the same time, competition from handbag OEMs will grow as more companies attempt to enter the market.

As a result of this competitive pressure, there can be no assurance that we will be able to continue to compete effectively in the outsourced handbag OEM industry, which could result in our loss of one or more of our current customers and limit our ability to compete for such customers in the future. To the extent that we are not able to provide ideas on or manufacture new handbag styles as timely as other handbag manufacturers, our operating results may be materially and adversely affected. We expect that we will face continuous competition from existing domestic and international competitors and new entrants. There can be no assurance that our products will be able to compete successfully, in which case our business, financial condition and results of operations may be materially adversely affected.

Our industry has low entry barriers.

Save for the entry barriers identified in the "Industry Overview" section, the industry in which we operate does not have other high entry barriers for new competitors to participate in the relevant business. Hence, we cannot assure you that there will not be any significant increase in the number of competitors in the industry which can manufacture handbags with comparable or better quality or with lower pricing than us. Such competition could adversely affect our profitability.

RISK FACTORS

Epidemics, natural disasters, acts of terrorism and other political and economic developments could harm our business, financial condition and operating results.

Potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome (SARS), bird flu and Zika virus in the regions we operate could disrupt our manufacturing operations, reduce demand for our products and increase our costs. Natural disasters, such as floods or earthquakes, could severely disrupt manufacturing operations and increase our costs.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the world financial markets also could increase the volatility of the market price of our Shares and may limit the capital resources available to us, our customers and our suppliers.

RISKS RELATING TO CONDUCTING BUSINESS IN CAMBODIA

Uncertainties with respect to Cambodia legal system could have an adverse impact on us.

Our operations in Cambodia are subject to laws, rules and regulations promulgated by the Cambodian Parliament or the Cambodian Government. The laws in Cambodia and its legal system are still in a developmental stage and are subject to change. In addition, business entry and business operations in Cambodia involve bureaucratic and legal procedures, which change from time to time without notice. This means that there is a lack of consistency and predictability in the interpretation and enforcement of laws and regulations and dispute resolution. Cambodia's investment laws and related regulations are under review and our business and future expansion plan in Cambodia may be affected if material changes are made to these laws and the accompanying investment incentive framework. Accordingly, conducting business in Cambodia entails a certain degree of risk and uncertainty. During the Track Record Period, 23.4%, 43.9%, 58.2% and 77.3% of our products, by unit, were manufactured in our Cambodia Factory. In the event that new laws are imposed, new policies are adopted or existing laws, rules, regulations or policies are interpreted or enforced in a way which is adverse to our operations, our business and financial performance could be adversely affected.

RISK FACTORS

The Cambodia Leased Land where our Cambodia Factory is located is subject to a short-term lease.

The Cambodia Leased Land where our Cambodia Factory is located is subject to a short-term lease with an expiry date of 31 March 2022, although Wah Sun Cambodia, as the lessee, has the right to renew the lease for an additional term of five (5) years. As a result, our Cambodia Factory may need to relocate, which may prove costly and disrupt our business operations and, in turn, have a material adverse effect on our financial position.

In addition, under a short-term lease, the lessee does not benefit from a right *in rem* directly against the leased immovable property but only from a right that is contractually enforceable against the lessor. Accordingly, Wah Sun Cambodia's rights under its short-term lease are not attached to the leased immovable property and, to enforce such rights against a third party acquirer, Wah Sun Cambodia may need to initiate court proceedings, which may be costly and lead to early termination of the lease.

Our future expansion plan in Cambodia may affect our Group's cost structure and other associated costs.

The expansion of our production facilities in Cambodia will include, among other things, purchase of machinery and equipment, building construction as well as staff recruitment and training costs. Accordingly, our depreciation charge, labour costs, utilities and other production costs will increase. We therefore expect a change in our Group's cost structure as both of our fixed and variable costs will increase as a result of our future expansion plan in Cambodia. The expected increase in depreciation charges and labour costs as a result of the completion of construction of the new production facility in Cambodia may adversely affect our results of operation and our financial results.

Our business in Cambodia may be subject to labour unrest, political unrest and related economic instabilities in Cambodia which may adversely affect our business, financial condition, results of operations and prospects.

The recent history of Cambodia has been characterised by political instability, with protests between different political parties over claims of electoral irregularities following the general election in 2013. Such tensions may resurface during the lead up to the national elections in Cambodia in 2018 and following the release of the election results. Factory workers may leave work to return to their hometown due to fear of social and political unrest. If there is any workforce reduction and, consequently, production capacity reduction due to political instability stemming from the coming general election, the operations of our Cambodia Factory will be adversely impacted.

There are also moderate security risks stemming from petty and violent crime and increasing social unrest related to ongoing political tensions and demands for increases in the minimum wage. During the Track Record Period, there were increased demands from garment factory workers for better pay and working conditions. Labour strikes have been frequently

RISK FACTORS

used by garment factory workers and unions to pressure employer associations and the Cambodian government for increases in the monthly minimum wage. While the monthly minimum wage is applicable only to the garment, textile and footwear sectors, as at the Latest Practicable Date, workers in other sectors (particularly workers in other manufacturing sectors) have been demanding higher pay and better working conditions.

Hence, labour market risks are high in Cambodia, mainly reflecting the increased incidence of labour unrest and the limited supply of skilled labour in Cambodia. The incidence of labour unrest may increase costs for production in Cambodia and disrupt production schedules, which may adversely affect our ability to deliver our products to our customers on time and/or result in the temporary closure of our production sites. In addition, the annual increases in the minimum wage of Cambodian workers in the garment, textile and footwear sectors or the introduction of a higher national minimum wage and pressure to improve working conditions may increase our labour costs and further adversely affect our business operations and financial condition. If we are not able to offer competitive compensation packages, we may face higher turnover of workers, in particular skilled labour.

Industrial relations in Cambodia have also been adversely impacted by the formation of multiple unions at an enterprise level. The existence of multiple, small enterprise-level unions has resulted in competition for membership among unions and the need for employers to negotiate with multiple unions on overlapping and competing entitlements, which may adversely affect our operations in Cambodia. A Trade Union Law was enacted on 17 May 2016, with one of the objectives being to promote harmonious industrial relations in workplace. To tackle the issue of multiple unions, the Trade Union Law, for the first time, introduces a membership threshold to form an enterprise-level union (or local union). The membership threshold is set at 10, each of whom must be employees at the applicable enterprise. As at the Latest Practicable Date, it remained unclear as to how the Trade Union Law will be interpreted by the competent courts in Cambodia and will address issues of labour unrest and multiple unions.

Failure to effectively protect the non-current assets of our Cambodia facility could have a material adverse effect on us.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the balance of our non-current assets in Cambodia was HK\$20.8 million, HK\$22.3 million, HK\$30.3 million and HK\$34.8 million, respectively. According to our Cambodia Legal Advisers, foreign investors are guaranteed with the non-discriminatory treatment (except to ownership of land) by the Cambodian Government, which includes, among others, protection against nationalisation policy that could adversely affect private properties ownership in Cambodia under the Law on Investment and Law on Amendments to the Law on Investment of Cambodia. Nevertheless, if we are unable to effectively protect the non-current assets of our Cambodia facility, and/or if new laws in relation to foreign investors are imposed, new policies are adopted or existing laws, rules, regulations or policies are interpreted or enforced in such manner which is adverse to our interest in our Cambodia facility, we may lose our assets in Cambodia or the value thereof which may in turn have a material adverse effect on our business, results of operation and financial position.

RISK FACTORS

Failure to renew licences could have an adverse impact on our financial performance.

Various certificates, licences and approvals are required for our business operations. If we fail to obtain or renew such certificates, licences and approvals, we may not be able to operate our business in Cambodia, which may adversely affect the financial performance of our Group.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to changes in the PRC's political, economic and social conditions, laws, regulations, policies and diplomatic/trade relationships with other countries.

The PRC economy differs from the economies of developed countries in many respects. Since the PRC economy started transitioning from a planned economy to a more market-oriented economy, it has experienced significant growth. However, that growth has been uneven, both geographically and among various sectors of the economy. Notwithstanding measures implemented by the PRC government since the late 1970's emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government.

The PRC government exercises significant control over economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary and industrial policies and providing preferential treatment to particular industries or companies. Recently, the PRC government has implemented a number of measures to prevent the economy from overheating and to control inflation. While certain of these measures may benefit the overall economy in the PRC, they may have a negative effect on us. For example, stricter lending policies may, among other things, affect our ability to obtain financing, which may, in turn, materially and adversely affect our growth.

Our operations, business, financial condition, and results of operations and prospects may also be materially and adversely affected by the following factors relating to the PRC which are beyond our control:

- political instability or changes in social conditions;
- changes in laws, regulations, orders and directives or the interpretation thereof;
- changes in the rate or method of taxation; and
- reduction in tariff protection and other import and export restrictions.

RISK FACTORS

The PRC's legal system embodies uncertainties that could adversely affect our business, financial condition and results of operations.

A part of our manufacturing operations is conducted in the PRC and approximately 5.2% of our employees are in the PRC as at the Latest Practicable Date. Our business and operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970's, the PRC has been developed rapidly with many changes made to laws and regulations covering general economic matters or affecting our business and operations having been promulgated in the PRC. In addition, the enforcement of laws may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of PRC's judiciary may create additional uncertainty as to the expected outcomes of litigation. In addition, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political, economic and social changes.

Fluctuation in the value of RMB may adversely affect our business.

Substantially all of the sales of our manufacturing products are in U.S. dollars while certain portion of our costs of sales is in RMB. The change in value of RMB against the U.S. dollar is affected by, among other things, changes in the PRC's political and economic conditions. According to the F&S Report, RMB depreciated against the USD from RMB6.31 to US\$1.00 in 2012, to RMB6.64 to US\$1.00 in 2016. From May to September 2017, there was a trend of appreciation of RMB against the USD, reaching RMB6.48 to US\$1.00 in September 2017.

To date our pricing model has generally permitted us to pass any increases in labour costs or raw material costs resulting from appreciation of RMB on to our customers through price increases. However, if RMB were to appreciate significantly relative to the U.S. dollar, there is no guarantee we would be able to continue to do this. If the PRC government allows RMB to appreciate significantly relative to the U.S. dollar, it is possible that we would have to raise the prices of our products to compensate, which could have a negative impact on the competitiveness of our products and materially and adversely affect our profitability.

We are subject to PRC government control in currency conversion.

RMB is not a freely convertible currency. The conversion of RMB into other currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number

RISK FACTORS

of limitations. Our obligation to pay our overseas suppliers in foreign currencies and the requirement for us to pay dividends in a currency other than RMB to our Shareholders may expose us to foreign currency risk. Under the current foreign exchange control system, there is no assurance that we will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

The PRC regulations of investment and loans by offshore holding companies to the PRC entities may delay or prevent the Company from using the proceeds of the Global Offering to make additional capital contributions or loans to members of the Group.

Any capital contributions or loans the Company, as an offshore entity, makes to the PRC members of the Group, including from the proceeds of the Global Offering, are subject to the PRC regulations. For example, the total of any offshore loans to the PRC members of the Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of the Group, which shall comply with certain regulatory limits prescribed by the competent authority of the MOFCOM and such loans must be registered with SAFE or its authorised organisation. In addition, the Group's capital contributions to the PRC members of the Group must be approved by the competent authorities of the MOFCOM and SAFE. The Group cannot assure that it will be able to obtain these approvals on a timely basis, or at all. If the Group fails to obtain such approvals, its ability to capitalise the relevant PRC members of the Group or fund their operation or to utilise the proceeds of the Global Offering in the manner described in "Future Plans and Use of Proceeds" may be adversely affected, which could adversely affect the liquidity of the relevant PRC member of the Group, the Group's ability to grow through its subsidiaries' operation and its financial condition and results of operation.

Public perception that products manufactured in the PRC are not safe or of satisfactory quality, whether justified or not, could limit our ability to sell products to our customers.

Most of our revenues are derived from sales to owners or licensees or sourcing companies of internationally well-known fast fashion brands. These fast fashion brands may market and sell their products to consumers outside of the PRC. Public perception that products manufactured in the PRC are not safe or of satisfactory quality, whether justified or not, could affect the market recognition and acceptance of our customers' brands, which could cause them to seek to have their products manufactured in countries other than the PRC. If this were to happen, our ability to sell products to these customers would be significantly limited, which would have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

An active, liquid trading market for our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. While we have applied to list and deal in our Shares on the Stock Exchange, we cannot predict the extent to which investor interest in our Company will lead to the development of a trading market on the

RISK FACTORS

Stock Exchange or otherwise or how active and liquid that market may become. If an active and liquid trading market does not develop, you may have difficulty selling any of our Shares that you purchase. The Offer Price of the Offer Shares was the result of negotiations between us and the Sole Global Coordinator (on itself and behalf of the Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Global Offering is complete. An investor who purchases Shares in the Global Offering may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there is expected to be a four business day gap between the pricing and trading of the Shares offered in the Global Offering, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons.

The liquidity and market prices of the Shares following the Global Offering may be volatile.

We, the Sole Global Coordinator (for itself and on behalf of the Underwriters) negotiated to determine the Offer Price of the Offer Shares. The price at which the Offer Shares will trade after completion of the Global Offering will be determined by the marketplace. You may not be able to resell the Offer Shares you purchase at or above the Offer Price due to a number of factors, some of which are beyond our control, such as those listed in “– Risks Relating to Our Business and Industry” and the following:

- actual or anticipated fluctuations in our or our competitors’ results of operations;
- announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions, strategic alliances or strategic investments;
- our and our competitors’ growth rates;
- the financial market and general economic conditions;
- changes in stock market analyst recommendations regarding us;
- conditions in the handbags and small leather goods industry worldwide;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions in the outstanding Shares or sales of additional Shares;
- potential litigation or regulatory investigations;
- fluctuations in market prices for our products or the costs of raw materials; and
- changes in accounting principles.

RISK FACTORS

Our Controlling Shareholders have substantial influence over us and their interests may not always be aligned with the interests of our other Shareholders.

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that no Shares will be issued under the Share Option Scheme, the Over-allotment Option or otherwise, our Controlling Shareholders will control the exercise of 75% of the voting rights in the general meeting of our Company. Therefore, our Controlling Shareholders will continue to have control and substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that the Controlling Shareholders may cause us to enter into transactions or take, or abstain from taking, other actions or make decisions which conflict with the best interests of our other Shareholders.

Sales or anticipated sales of substantial amounts of our Shares in the future could adversely affect the prevailing market price of our Shares.

Immediately after completion of the Global Offering and the Capitalisation Issue, 400,000,000 Shares will be issued and outstanding, of which 100,000,000 Shares, or 25%, will be publicly held by investors participating in the Global Offering. Of these Shares, 100,000,000, representing 25% of our issued and outstanding Shares, will be eligible for immediate resale in the public market in Hong Kong without restriction. The remaining 300,000,000 Shares, or 75%, will be held by our existing Shareholders (assuming the Over-allotment Option is not exercised). Our Controlling Shareholders are also subject to certain lock-up restrictions after our Shares commence trading on the Stock Exchange, the details of which are further described in “Underwriting” section. As a result, we cannot assure you that our Controlling Shareholders will not sell, dispose of or otherwise transfer any Shares they may own now or in the future upon completion of such lock-up periods, or, subject to the Listing Rules, earlier if permitted by the Sole Global Coordinator. In addition, we may consider offering and issuing additional Shares in the future. Additional Shares may also be issued upon the exercise of options we may grant in the future under the Share Option Scheme. Sales of a substantial number of Shares following the exercise of outstanding options could cause the market price of our Shares to decline.

We may not be able to pay any dividends on our Shares.

For each of FY2015, FY2016, FY2017, and the 4M2018 our Group declared dividend of HK\$10.0 million, HK\$20.0 million, HK\$40.0 million and nil, respectively. The dividends declared for FY2015, FY2016 and FY2017 have been settled. On 2 January 2018, our Company declared an one-off and non-recurring dividend of HK\$20.0 million. The one-off and non-recurring dividend is expected to be paid prior to the Listing Date. Further details of our dividend are set out in the paragraph headed “Dividend and Dividend Policy” under the section headed “Financial Information”.

RISK FACTORS

We cannot assure you that we will declare dividends on our Shares in the future. Future dividends, if any, will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutive documents and the Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC and Cambodia, which are subject to aspects described in “Risk Factors – Risks Relating to Conducting Business in Cambodia” and “Risk Factors – Risks Relating to Conducting Business in the PRC” above. For further details of the dividend policy of our Company, please see “Financial Information – Dividends”.

We are incorporated under Cayman Islands law, and the laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain respects from those in Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, and by the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain respects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. These differences may mean that our Company’s minority Shareholders may have different remedies than they would have under the laws of Hong Kong or other jurisdictions. Please see “Summary of the constitution of the Company and Cayman Islands company law” in Appendix III to this prospectus.

Potential investors should be aware that there is a risk that the provisions of the Companies Law may not offer the same protection as the Companies Ordinance and the SFO and should consider obtaining independent legal advice on the implications of investing in foreign-incorporated companies.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and the exercise of options to be granted under our Share Option Scheme.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering, and the exercise of options to be granted under our Share Option Scheme may result in dilution of our Shareholders. Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the shareholders immediately following the Global Offering and the Capitalisation Issue, potential investors would receive less than the amount they paid for their Shares. If we issue additional Shares in the future, our Shareholders may experience further dilution. Please see “Financial Information – Unaudited Pro Forma Adjusted Net Tangible Assets”.

RISK FACTORS

We have adopted the Share Option Scheme under which options may be granted after the listing of the Shares on the Stock Exchange. Issuance of Shares pursuant to the exercise of the options to be granted under the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per share and net asset value per Share.

There can be no assurance as to the accuracy of facts and other statistics with respect to certain information obtained from official government and third-party sources and publications, including the industry expert report, contained in this prospectus.

Certain statistics, facts and forecasted information relating to Cambodia, the PRC and other countries and regions, as well as the global handbags, small leather goods and travel goods markets and other markets, contained in this prospectus have been derived from various official government and third-party sources, including Frost & Sullivan, an independent industry expert, and none of this information has been independently verified by the Sole Sponsor, the Underwriters or any of their respective affiliates or advisers, or us or any of our affiliates or advisers. Such statistics, facts and forecasted information may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC. None of the Sole Sponsor, the Underwriters nor any of their respective affiliates or advisers, nor we nor any of our affiliates or advisers, have verified the completeness of the information collected and analysed by Frost & Sullivan or derived from official or third-party sources or publications. Therefore, we make no representation as to the accuracy or completeness of such information and you should not place undue reliance on such information as a basis for making your investment in our Shares.

You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding our Group and the Global Offering, which included certain financial information, projections, valuations and other information about our Group and the Global Offering that does not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim all responsibilities and liabilities for any information appearing in publications other than this prospectus that is inconsistent or conflicts with the information in this prospectus. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase the Offer Shares.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO THE APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Li Yat Tin Dominic and Ms. Ho Yin Kwan as our joint company secretaries. While our Directors consider Mr. Li Yat Tin Dominic is capable of discharging his duty as a company secretary of our Company by virtue of his academic background, professional qualifications and experience, however, he does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. Ho Yin Kwan, who possesses such specified qualifications, to be a joint company secretary of our Company. Mr. Li Yat Tin Dominic together with Ms. Ho Yin Kwan will be primarily responsible for company secretarial affairs and coordination of investor relations of our Group.

Please see section headed “Directors, Senior Management and Employees – Joint Company Secretaries” for the biographies of Mr. Li Yat Tin Dominic and Ms. Ho Yin Kwan.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Given the important role of company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, our Company will make or have made the following arrangements:

- (a) Ms. Ho Yin Kwan, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will, throughout her engagement as a joint company secretary of our Company, assist Mr. Li Yat Tin Dominic so as to enable him to acquire the requisite knowledge and experience (as required under Rule 3.28 of the Listing Rules) in order to discharge his duties and responsibilities as a company secretary of our Company. Given Ms. Ho Yin Kwan's relevant experience, she will be able to advise both Mr. Li Yat Tin Dominic and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Mr. Li Yat Tin Dominic, one of our joint company secretaries, will be assisted by Ms. Ho Yin Kwan for a period of three years commencing on the Listing Date or for a period commencing from the Listing Date to the date when he obtains the specified qualifications under Rule 3.28 of the Listing Rules, whichever is shorter. Our Directors consider it should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules. Upon expiry of such period, a further evaluation of the qualifications and experience of Mr. Li Yat Tin Dominic and the need for on-going assistance will be made;
- (c) Our Company will ensure that Mr. Li Yat Tin Dominic has access to the relevant trainings and support to enable him to familiarise himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Li Yat Tin Dominic has undertaken to attend such trainings;
- (d) Ms. Ho Yin Kwan, who will familiarise herself with the affairs of our Company, will communicate with Mr. Li Yat Tin Dominic on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Ho Yin Kwan will work closely with, and provide assistance to Mr. Li Yat Tin Dominic with a view to discharging her duties and responsibilities as a company secretary, including organising Board meetings and Shareholders' meetings of our Company;
- (e) Mr. Li Yat Tin Dominic will also be assisted by the compliance adviser and the Hong Kong legal advisers of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our on-going compliance obligations under the Listing Rules and the applicable laws and regulations of Hong Kong; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (f) Pursuant to Rule 3.29 of the Listing Rules, Mr. Li Yat Tin Dominic and Ms. Ho Yin Kwan will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Mr. Li Yat Tin Dominic and Ms. Ho Yin Kwan will be advised by the legal advisers as to Hong Kong law and the compliance adviser of our Company as and when required.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years commencing on the Listing Date. If Ms. Ho Yin Kwan ceases to provide assistance to Mr. Li Yat Tin Dominic during the three years from the Listing Date, the waiver will be revoked with immediate effect. If Mr. Li Yat Tin Dominic has not obtained the specific qualifications under Rule 3.28 of the Listing Rules upon expiry of the initial three-year period, our Company will re-evaluate his qualifications and experience. Upon the determination of our Company that no on-going assistance is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Ms. Ho Yin Kwan over such three-year period, Mr. Li Yat Tin Dominic has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Future (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

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 conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, 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 in this prospectus is correct as at any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants in the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he 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 an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an 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 the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

ELIGIBILITY FOR CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange 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 Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your 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.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Company has applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our principal share registrar Conyers Trust Company (Cayman) Limited at Cayman Islands.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 15,000,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to, among other things (such as effecting the permitted stabilising actions as set out in the section headed “Structure of the Global Offering – Stabilisation”), cover over-allocation in the International Placing.

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed “Structure of the Global Offering – Over-allotment Option” and “Stabilisation” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain amounts denominated in Renminbi, KHR or US dollars into Hong Kong dollars at specified rates. You should not construe these translations as representations that the amounts in Renminbi, KHR or US dollars could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the amounts denominated in Renminbi have been translated into Hong Kong dollars at the rate of RMB1 to HK\$1.1, the amounts denominated in US dollars have been translated into Hong Kong dollars at the rate of HK\$7.75 to US\$1.00 and the amounts denominated in KHR have been translated into Hong Kong dollars at the rate of HK\$1 to KHR526.5.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters, registered office and principal place of business in Hong Kong	Room 9, 6/F. Wah Yiu Industrial Centre 30-32 Au Pui Wan Street Fo Tan, Shatin New Territories, Hong Kong
Company's website	www.wahsun.com.hk (information contained on this website does not form part of this prospectus)
Joint company secretaries	Mr. Li Yat Tin Dominic <i>CPA Australia</i> 15C, Block 5 Palatial Coast Siu Lam, Tuen Mun New Territories Hong Kong Ms. Ho Yin Kwan <i>Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, UK</i> Flat G, 42/F, Block 3 Tseung Kwan O Plaza Tseung Kwan O New Territories, Hong Kong
Authorised representatives	Mr. Ma Hing Ming Flat D, 17/F T5 of Tower 5 Grand Austin 9 Austin Road West Kowloon, Hong Kong Mr. Li Yat Tin Dominic 15C, Block 5 Palatial Coast Siu Lam, Tuen Mun New Territories Hong Kong

CORPORATE INFORMATION

Audit committee	Mr. Wong Wai Keung Frederick (<i>Chairman</i>) Mr. Lam Kwok Cheong Mr. Yeung Chi Wai
Remuneration committee	Mr. Lam Kwok Cheong (<i>Chairman</i>) Mr. Wong Wai Keung Frederick Mr. Yeung Chi Wai Mr. Ma Hing Man Mr. Ma Hing Ming
Nomination committee	Mr. Yeung Chi Wai (<i>Chairman</i>) Mr. Wong Wai Keung Frederick Mr. Lam Kwok Cheong Mr. Ma Hing Man Mr. Ma Hing Ming
Risk management committee	Mr. Wong Wai Keung Frederick (<i>Chairman</i>) Mr. Lam Kwok Cheong Mr. Yeung Chi Wai
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
Principal banks	DBS Bank (Hong Kong) Limited 11th Floor The Center 99 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited 14th Floor Bank of China Tower 1 Garden Road Hong Kong Dah Sing Bank Limited 36th Floor Everbright Centre 108 Gloucester Road Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Ma Lan Heung (馬蘭香)	Flat B, 3/F, Block 6 Villa Carlton 369 Tai Po Road Sham Shui Po, Kowloon Hong Kong	Chinese
Mr. Ma Yum Chee (馬任子)	Flat K, 4/F Block 6, Beverly Garden Tseung Kwan O New Territories, Hong Kong	Chinese
Ms. Ma Lan Chu (馬蘭珠)	Flat A, 3/F, Block 5 Villa Carlton 369 Tai Po Road Sham Shui Po, Kowloon Hong Kong	Chinese
Mr. Ma Hing Man (馬慶文)	Flat B, 9/F, Block 5 Villa Carlton 369 Tai Po Road Sham Shui Po, Kowloon Hong Kong	Chinese
Mr. Ma Hing Ming (馬慶明)	Flat D, 17/F T5 of Tower 5 Grand Austin 9 Austin Road West Kowloon, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lam Kwok Cheong (林國昌)	Flat G, 14/F, Block 3 City Garden 233 Electric Road Hong Kong	Chinese
Mr. Wong Wai Keung Frederick (黃煒強)	Flat D, 16/F, Block T58 Choi Tien Mansion 11 Tai Koo Wan Road Quarry Bay, Hong Kong	Chinese
Mr. Yeung Chi Wai (楊志偉)	Flat B, 7/F, Tower 2 Elegant Terrace 36 Conduit Road Hong Kong	Chinese

Please see the section “Directors, Senior Management and Employees” for further information on our Directors and members of our senior management.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Central, Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Central, Hong Kong
Co-Lead Manager	Aristo Securities Limited Room 101, 1/F On Hong Commercial Building 145 Hennessy Road Wan Chai, Hong Kong
Hong Kong Underwriters	DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Central, Hong Kong Aristo Securities Limited Room 101, 1/F On Hong Commercial Building 145 Hennessy Road Wan Chai, Hong Kong
International Underwriters	DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Central, Hong Kong Aristo Securities Limited Room 101, 1/F On Hong Commercial Building 145 Hennessy Road Wan Chai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law (other than in respect of our trust arrangements):

Howse Williams Bowers
27/F Alexandra House
18 Chater Road
Central, Hong Kong

As to PRC law:

Beijing Grandway Law Offices
12/F, Block C, Skyworth Building
Nanshan District
Shenzhen, PRC

As to Cambodia law:

Mekong Law Group
No. 30, Norodom Boulevard
4th Floor, BRED Bank Building
Sangkat Phsar Thmey 3
Khan Daun Penh
Phnom Penh, Cambodia

As to US law:

Nixon Peabody LLP
18th Floor
One Embarcadero Center
San Francisco, CA 94111
United States

As to international sanctions law:

Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to Hong Kong law in respect of the trust arrangements regarding certain subsidiaries of our Company:

Ahern Lawyers
7/F, Ruttonjee House
11 Duddell Street
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman islands</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Deacons 5/F, Alexandra House 18 Chater Road Central, Hong Kong</p> <p><i>As to PRC law:</i> Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, PRC</p> <p><i>As to Cambodia law:</i> SokSiphana & Associates 8/F, Maybank Tower No. 43, Preah Norodom Boulevard Sangkat Phsar Thmey 3 Khan Daun Penh Phnom Penh, Cambodia</p>
Auditor and reporting accountant	<p>PricewaterhouseCoopers 22/F Prince's Building Central, Hong Kong</p>
Industry consultant	<p>Frost & Sullivan International Limited 1706, One Exchange Square 8 Connaught Place Central, Hong Kong</p>
Compliance adviser	<p>DBS Asia Capital Limited 17/F, The Center 99 Queen's Road Central Central, Hong Kong</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving bank

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Central, Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the industry in which we operate. Certain information and statistics set out in this section have been extracted and derived from various official, publicly available sources as well as a commissioned report from Frost & Sullivan, an independent third party. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, or the F&S Report, prepared by Frost & Sullivan, for purposes of this prospectus. Please refer to “About This Section” in this section. We believe that the sources of the information in this section are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect, and no fact has been omitted that would render such information false or misleading in any material respect. However, no representation is given as to the accuracy of the information in this section and the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering save as Frost & Sullivan. Except as otherwise noted, all the data and forecast in this section are derived from the F&S Report.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct a study of the PRC’s and Cambodia’s non-leather handbag OEM industry. Frost & Sullivan is an independent global market research and consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists as at the date of the F&S Report. We paid a total project fee of HK\$800,000 to Frost & Sullivan for the preparation and use of the F&S Report. The payment of such amount was not contingent upon our successful Listing or on the result of the F&S Report.

The methodologies used by Frost & Sullivan in gathering the relevant market data in compiling the F&S Report included primary interviews and secondary research. Primary interviews are conducted with relevant institutions or individuals to obtain objective and factual data and prospective predictions. The results of primary interviews are for reference only. Secondary research involves integration of data and publication from publicly available resources, including official data and announcements from government authorities of the PRC, Cambodia and North America and market research reports on industry and market participants issued by the Company’s major competitors. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the F&S Report and Frost & Sullivan is an independent professional market research company with extensive experience in its profession. Frost & Sullivan collected the information and data using the aforesaid methodologies and such information and data was carefully analysed, assessed and validated using its in-house analysis models and techniques.

INDUSTRY OVERVIEW

ASSUMPTION

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments of the PRC, Cambodia and North America are likely to remain stable in the forecast period; (ii) the economies of the PRC is assumed to maintain steady growth in the forecast period; (iii) key industry drivers mentioned in this section are likely to promote the stable and healthy development of the PRC's and Cambodia's non-leather handbag OEM industry in the forecast period; and (iv) there will not be war or large scale disaster during the forecast period.

ECONOMIC GROWTH IN THE PRC, CAMBODIA, NORTH AMERICA AND GLOBALLY

PRC: Over the past years, the economy in the PRC has maintained a solid growth pace. According to National Bureau of Statistics of the PRC, the nominal GDP of the PRC grew at a CAGR of 8.3% from 2012 to 2016. According to the International Monetary Fund ("IMF"), the nominal GDP of the PRC is forecast to grow at a CAGR of 8.5% from 2016 to 2021.

Cambodia: The nominal GDP of Cambodia reached USD19.4 billion in 2016, with a CAGR of 8.3% from 2012 to 2016. According to the IMF, the nominal GDP of Cambodia is forecast to reach USD29.1 billion by 2021, representing a CAGR of 8.4% from 2016 to 2021.

North America: For the purpose of this section, North America includes the U.S. and Canada. The nominal GDP of North America has experienced a growth from USD18.0 trillion in 2012 to USD20.1 trillion in 2016, with a CAGR of 2.8% from 2012 to 2016. According to the IMF, the nominal GDP of North America is forecast to reach USD24.7 trillion in 2021.

Global: The global nominal GDP grew from USD74.4 trillion in 2012 to USD75.3 trillion in 2016, representing a CAGR of 0.3%. According to the IMF, the global nominal GDP is forecast to reach USD95.2 trillion in 2021, experiencing a CAGR of 4.8% from 2016 to 2021.

THE PRC'S NON-LEATHER HANDBAG OEM INDUSTRY

Market Overview of the PRC's Non-leather Handbag OEM Industry

The PRC is one of the largest handbag manufacturing bases in the world. A large number of handbag manufacturers in the PRC are OEMs and their handbag manufacturing technologies are relatively advanced. Guangdong, Fujian, Zhejiang and Hebei are four main industrial clusters of handbag manufacturers. In the PRC, non-leather handbags with ex-factory price above RMB300 are classified as luxury handbags; those with ex-factory price between RMB100 and RMB300 are classified as high-end handbags; while those with ex-factory price below RMB100 are classified as mass and middle-end handbags.

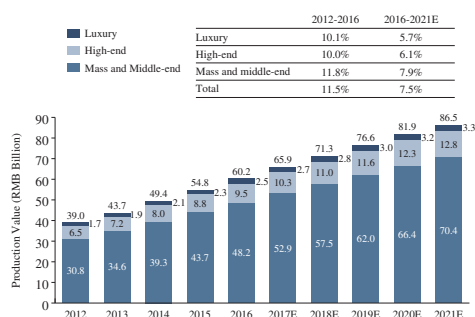
INDUSTRY OVERVIEW

Value Chain Analysis of the PRC's Non-leather Handbag OEM Industry

Raw material suppliers are the key upstream players of the PRC's non-leather handbag OEM industry. In some cases, raw material suppliers are appointed by customers of the OEMs to monitor the quality of handbags. In the midstream of the PRC's non-leather handbag OEM industry, some OEMs have established in-depth cooperation with international brands. Besides, it is an industry norm to have on-site sub-contracting arrangement in the PRC handbag manufacturing industry. In the downstream of the PRC's non-leather handbag OEM industry, the main participants include brand owners, licensees of brands and sourcing companies.

Market Size of the PRC's Non-leather Handbag OEM Industry

Production Value of Non-leather Handbag OEM Industry by Grade (The PRC), 2012-2021E



Source: Frost & Sullivan

In the PRC's non-leather handbag OEM industry, the production value of mass and middle-end handbags reached RMB48.2 billion in 2016, accounting for 80.1% of the total production value. The production value of high-end and luxury handbags achieved RMB12.0 billion in 2016. In the future, the production value of mass and middle-end non-leather handbags is estimated to reach RMB70.4 billion, representing a CAGR of 7.9% from 2016 to 2021.

Market Drivers of the PRC's Non-leather Handbag OEM Industry

The Stable Growth of Global Non-leather Handbag Retail Market: The total retail sales value of global non-leather handbag retail market grew from USD79.0 billion in 2012 to USD98.4 billion in 2016, experiencing a CAGR of 5.6% from 2012 to 2016. The stable growth of the global handbag retail market drives the further development of the PRC's non-leather handbag OEM Industry.

Improvement in Technology and Equipment: In the past decades, the manufacturing process of non-leather handbags highly depended on manual work due to relatively lower mechanisation level. In recent years, the advanced manufacturing technologies and equipment improved the manufacturing efficiency and reduced the manufacturing cost.

INDUSTRY OVERVIEW

Future Opportunities and Challenges of the PRC's Non-leather Handbag OEM Industry

Fluctuations of exchange rate of RMB against USD: The RMB depreciated against the USD from RMB6.31 for USD1.00 in 2012 to RMB6.64 for USD1.00 in 2016. The depreciation of the RMB increased the competitiveness of PRC-based exporters who generates overseas income during this period. In the PRC, most handbags produced by OEMs are exported to other developed countries. The U.S. was consistently the largest export destination of non-leather handbags made in the PRC during the corresponding period. Therefore, most PRC's non-leather handbag OEMs could benefit from the depreciation of the RMB against the USD. From May to September 2017, there was a trend of appreciation of RMB against the USD, reaching RMB6.48 to US\$1.00 in September 2017. The main reasons of appreciation of RMB against the USD are the weakening of the USD index, the wider interest rate spread between RMB and the USD, and the improvement of the PRC's balance of payments structure. The appreciation of RMB may have negative impact on the PRC-based exporters.

Transformation and Upgrading of Handbag OEMs: In recent years, a lot of leading handbag OEMs in the PRC have transferred their production facilities with relatively simple manufacturing process to Southeast Asian countries with low labour cost, while those with relatively complex techniques are remained in the PRC. In the future, it is expected that non-leather handbag OEMs in the PRC will focus on manufacturing middle-end and high-end non-leather handbags.

Enhanced Cooperation with International Brands: In recent years, due to improvement in design capability, leading non-leather handbag OEMs in the PRC gradually participated in the design of handbags for international brands. Such enhanced cooperation with international brands is forecast to stimulate the development of the PRC's non-leather handbag OEM industry in the future.

Increasing Labour Cost and Raw Material Price: In the past decades, a large number of international handbag brands outsourced their production to the PRC's non-leather handbag OEMs because of low labour cost. However, due to the rising minimum salary in the PRC, the labour cost for most of the PRC's non-leather handbag OEMs gradually lost its competitive edge. Besides, the increasing price of raw material will pose pressure on the manufacturing cost of non-leather handbag OEMs in the PRC.

Entry Barriers of the PRC's Non-leather Handbag OEM Industry

Skilled and Experienced Labour: The non-leather handbag OEM industry requires a large number of skilled labour in the manufacturing process of handbags. However, there is a shortage of skilled labour in this industry. As skilled labour is usually employed by established non-leather handbag OEMs, new entrants may face difficulty in recruiting skilled and experienced labour.

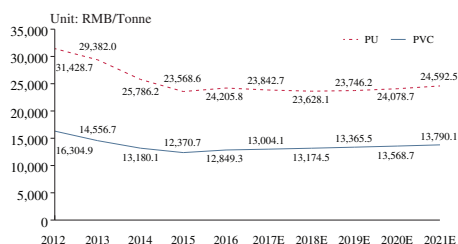
Capital Requirement: The non-leather handbag OEM industry is a capital-intensive industry. Plants construction, equipment purchasing, employee recruitment and day-to-day operations in such industry require substantial initial investment. Accordingly, the requirement of substantial initial capital is one of the key entry barriers for most new entrants.

INDUSTRY OVERVIEW

Relationship with Raw Material Suppliers: Finding reliable raw material suppliers who can provide a continuous supply of high quality raw materials such as PU, PVC and canvas is essential for participants in the PRC’s non-leather handbag OEM industry. New entrants face challenges in establishing close business relationships with raw material suppliers which is often required to achieve an optimal level of production efficiency.

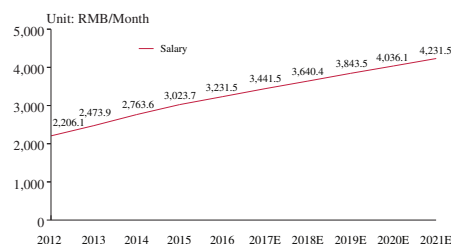
Raw Material, Labour Cost and Ex-factory Non-leather Handbag Price Trend in the PRC

Price Trend of PU and PVC (The PRC), 2012-2021E



Source: Frost & Sullivan

The Average Monthly Salary of Labour in the Handbag OEM Industry (The PRC), 2012-2021E

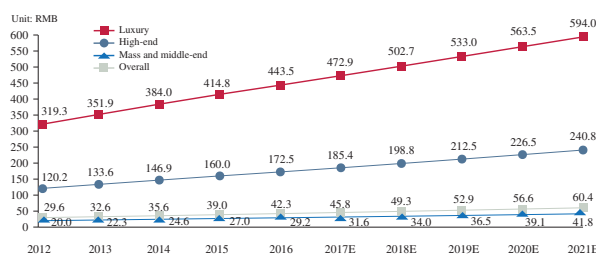


Source: Frost & Sullivan

PU and PVC are the main raw materials for non-leather handbag OEM industry. The price of PU decreased from RMB31,428.7 per tonne in 2012 to RMB24,205.8 per tonne in 2016. The decreasing price of PU was mainly due to the slump of oil price. The price of PU is estimated to reach RMB24,592.5 per tonne in 2021. Similarly, the price of PVC experienced a decline from RMB16,304.9 per tonne in 2012 to RMB12,849.3 per tonne in 2016. In 2021, the price of PVC is forecast to reach RMB13,790.1 per tonne.

The average monthly salary of labour in the PRC’s handbag OEM industry experienced a CAGR of 10.0% from 2012 to 2016. In 2016, the average monthly salary of labour in this industry reached RMB3,231.5. Due to the shortage and high turnover of skilled labour, the average monthly salary of labour in the PRC’s handbag OEM industry is projected to rise to RMB4,231.5 in 2021.

The Average Ex-factory Price of Handbags by Grade (The PRC), 2012-2021E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

The average ex-factory price of non-leather handbags in the PRC has experienced an uptrend from 2012 to 2016. The average ex-factory price of mass and middle-end non-leather handbags has increased from RMB20.0 in 2012 to RMB29.2 in 2016, with a CAGR of 9.9%. In the future, with the rising raw material price and the labour cost, the average ex-factory price of mass and middle-end non-leather handbags in the PRC is forecast to reach RMB41.8 in 2021, with a CAGR of 7.4%.

CAMBODIA’S NON-LEATHER HANDBAG OEM INDUSTRY

Market Overview of Cambodia’s non-leather Handbag OEM Industry

Due to the abundant supply and relatively low salary of labour, many handbag manufacturers are relocating their manufacturing bases from the PRC to Southeast Asian countries such as Cambodia. The main advantages for the relocation of factories to Cambodia include (i) duty-free access, quota-free access and/or preferential tariff treatment to major developed countries and regions including the U.S., Canada, Japan and member states of the European Union, (ii) a stable economic performance and (iii) generous incentives to attract foreign direct investment. Further, as Cambodia has been embracing the “Factory Asia” model of growth, many international brands from North America and Europe have outsourced their handbag manufacturing processes to OEMs in Cambodia. The trend of outsourcing handbag manufacturing processes to OEMs in Cambodia is expected to continue in the future.

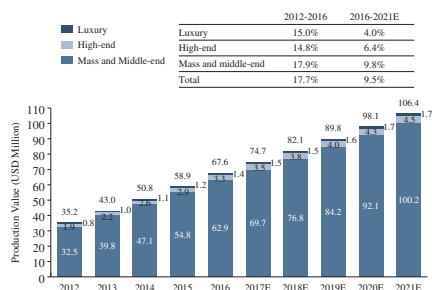
In Cambodia, non-leather handbags with ex-factory price above USD40 are classified as luxury handbags; those with ex-factory price between USD15 and USD40 are classified as high-end handbags; while those with ex-factory price below USD15 are classified as mass and middle-end handbags.

Value Chain Analysis of Cambodia’s non-leather Handbag OEM Industry

Most raw materials of non-leather handbags are imported from other countries such as the PRC. In the midstream of Cambodia’s non-leather handbag OEM industry, some OEMs have established in-depth cooperation with international handbag brands. In the downstream of Cambodia’s non-leather handbag OEM industry, the brand owners or licensees of brands purchase handbags from OEMs directly or outsource this process to sourcing companies.

Market Size of Cambodia’s Non-leather Handbag OEM Industry

**Production Value of Non-leather Handbag OEM Industry by Grade
(Cambodia), 2012-2021E**



Source: Frost & Sullivan

INDUSTRY OVERVIEW

In Cambodia, a majority of non-leather handbag OEMs are involved in the manufacturing of mass and middle-end handbags. In Cambodia's non-leather handbag OEM industry, the production value of mass and middle-end non-leather handbags reached USD62.9 million in 2016, accounting for 93.0% of the total production value, while the production value of high-end and luxury handbags was USD4.7 million in 2016. The production value of mass and middle non-leather handbags is forecast to reach USD100.2 million in 2021, representing a CAGR of 9.8% from 2016 to 2021.

Market Drivers of Cambodia's Non-leather Handbag OEM Industry

Recovery of Economy in the Developed Countries: The nominal GDP of the U.S. grew at a CAGR of 3.5% from 2012 to 2016. The gradual recovery of the global economy in recent years was accompanied by the growth of GDP and per capita disposable income in developed countries. The recovery of the economy in developed countries plays an important role in increasing the purchasing power of consumer goods including handbags, which is expected to further develop Cambodia's non-leather handbag OEM industry as Cambodia is a key non-leather handbag manufacturing base.

Competitive Labour Cost: Labour cost in Cambodia is relatively low compared with the PRC. In 2016, the average monthly salary for Cambodia's handbag OEM industry was over USD160, while the average monthly salary for the PRC's handbag OEM industry was over USD480. The relatively low labour cost in Cambodia is therefore expected to attract foreign investment in the manufacturing industry, such as the non-leather handbag OEM industry.

Tariff Preference from Developed Countries: Cambodia, as a developing country, has benefited from GSP treatment from 28 developed countries including the U.S., Canada, member states of the European Union and Japan. As such, an increasing number of non-leather handbag brands from those developed countries tend to outsource their manufacturing process to non-leather handbag OEMs in Cambodia.

Future Opportunities and Challenges of Cambodia's Non-leather Handbag OEM Industry

Increasing Relocated Factories: In recent years, an increasing number of foreign non-leather handbag OEMs, especially large scale ones, relocated their manufacturing bases to Cambodia. The main advantages of establishing factories in Cambodia include its preferential trade access to major developed countries and its low labour cost. Therefore, it is expected that more non-leather handbag factories will move from other countries to Cambodia in the future.

Improvement in Management Skills: Some non-leather handbag OEMs in Cambodia may face difficulty in business operation due to their limited knowledge and skills in managing human resources and business logistics. In the future, an increasing number of non-leather handbag OEMs in Cambodia is expected to attach importance to the enhancement of their management capabilities.

INDUSTRY OVERVIEW

Backward Infrastructure: The business operation of non-leather handbag OEMs in Cambodia may be hindered by its backward infrastructure. For example, their high level of dependence on imported power often results in unstable supply of electricity, which affects the daily operation of handbag OEMs. Moreover, the poor road condition affects the timely delivery of goods. In order to attract more investment in the manufacturing industry, the Cambodian government is striving to improve its backward infrastructure.

Entry Barriers of Cambodia’s Non-leather Handbag OEM Industry

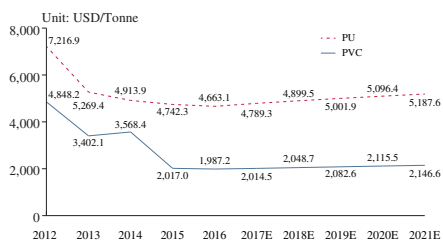
Skilled and Experienced Labour: Established companies in Cambodia’s non-leather handbag OEM industry have capabilities and experiences in the recruitment and training of skilled labour. Accordingly, it would be difficult for new entrants in Cambodia’s non-leather handbag OEM industry to hire skilled and experienced labour.

Capital Investment: The establishment of a new non-leather handbag OEM factory requires large-scale investment in fixed assets, raw materials, technology, human resources and sufficient working capital for daily operation. For new entrants, the requirement on large capital investments is identified as one of the key entry barriers.

Unfamiliarity with the Local Market Environment: After years of operation, leading Cambodia’s non-leather handbag OEMs are familiar with the local market environment in Cambodia. However, new entrants in the Cambodia’s non-leather handbag OEM industry are likely to encounter difficulty in their day-to-day business operation resulting from their unfamiliarity with local government policies, laws and culture of local employees.

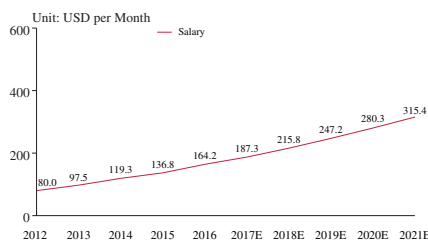
Raw Material, Labour Cost, and Ex-factory Non-leather Handbag Price Trend in Cambodia

Price Trend of PU and PVC (Cambodia), 2012-2021E



Source: Frost & Sullivan

The Average Monthly Salary of Labour in the Handbag OEM Industry (Cambodia), 2012-2021E



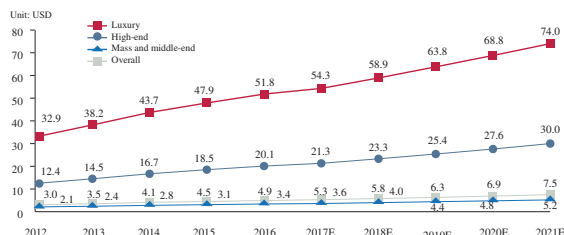
Source: Frost & Sullivan

The price of PU in Cambodia decreased from USD7,216.9 per tonne in 2012 to USD4,663.1 per tonne in 2016. Such downtrend in the price of PU was mainly due to the slump of oil price. The price of PU is estimated to reach USD5,187.6 per tonne in 2021. The price of PVC in Cambodia has also experienced a decline from USD4,848.2 per tonne in 2012 to USD1,987.2 per tonne in 2016. The price of PVC is forecast to reach USD2,146.6 per tonne in 2021.

INDUSTRY OVERVIEW

The average monthly salary of manufacturing labour in Cambodia’s handbag OEM industry experienced a CAGR of 19.7% from 2012 to 2016. In 2016, the average monthly salary of labour in this industry reached USD164.2. With the further development of handbag OEM industry in Cambodia, the demand for labour is expected to rise in the future. Therefore, the average monthly salary of labour is expected to grow at a CAGR of 13.9% from 2016 to 2021, reaching USD315.4 in 2021.

The Average Ex-factory Price of Handbags by Grade (Cambodia), 2012-2021E



Source: Frost & Sullivan

The average ex-factory price of mass and middle-end non-leather handbags increased from USD2.1 in 2012 to USD3.4 in 2016, representing a CAGR of 12.8%. In the future, with the increasing raw material price and labour cost, the average ex-factory price of mass and middle-end non-leather handbags is forecast to reach USD5.2 in 2021, representing a CAGR of 8.9%.

COMPETITIVE LANDSCAPE OF NON-LEATHER HANDBAG OEM INDUSTRY

Competitive Landscape of Global Non-leather Handbag OEM Industry

Ranking and Market Share of Non-leather Handbag OEMs by Sales Revenue (Global), 2016

Ranking	Leading non-leather handbag OEMs in the global market	Global market share by sales revenue (%)	Location of factories
1	Dongguan Huanyi Industrial Co. Ltd.	0.65	PRC, Vietnam and Myanmar
2	JS Corporation	0.63	PRC, Vietnam and Indonesia
3	Dada Corporation	0.52	PRC, Vietnam, Indonesia and Bangladesh
4	Prosperous Group	0.48	PRC and Vietnam
5	Our Group	0.40	PRC and Cambodia

Source: Frost & Sullivan

In 2016, the sales revenue of the global non-leather handbag OEM industry reached USD20.1 billion. The major non-leather handbag manufacturing bases were located in Asian countries such as the PRC, Cambodia, Vietnam, Myanmar, etc. The global non-leather handbag OEM industry is highly competitive. In terms of sales revenue, our Group had a market share of 0.40% and ranked the fifth in the global non-leather handbag OEM industry in 2016.

INDUSTRY OVERVIEW

Competitive Landscape of the PRC's and Cambodia's Non-leather Handbag OEM Industry

**Ranking and Market Share of Non-leather Handbag OEMs by Sales Revenue
(The PRC and Cambodia), 2016**

Ranking	Leading non-leather handbag OEMs in the PRC market	Market share in the PRC by sales revenue (%)	Location of factories
1	Best Food Holding Company Limited	0.73	PRC and Myanmar
2	Our Group	0.51	PRC and Cambodia
3	Fitmay Handbag Factory Limited	0.38	PRC
4	Dongguan Huanyi Industrial Co. Ltd.	0.34	PRC, Vietnam and Myanmar
5	Winpro Enterprises Company Limited	0.31	PRC and Cambodia

Ranking	Leading non-leather handbag OEMs in the Cambodia market	Market share in Cambodia by sales revenue (%)	Location of factories
1	Our Group	68.3	PRC and Cambodia
2	Ideal Pacific (Cambodia) Ltd.	11.5	Cambodia
3	Winpro Enterprises Company Limited	8.8	PRC and Cambodia
4	Monopia Co. Ltd.	3.9	PRC and Cambodia
5	Teng Xun Co. Ltd.	2.1	Cambodia

Source: Frost & Sullivan

In 2016, the sales revenue of the PRC's non-leather handbag OEM industry was RMB60.2 billion. The non-leather handbag OEM industry in the PRC is relatively fragmented, with such OEMs mainly concentrated in Guangdong, Zhejiang and Fujian province. In terms of sales revenue, our Group had a market share of 0.51% and ranked second in the PRC's non-leather handbag OEM industry in 2016.

In 2016, the sales revenue of Cambodia's non-leather handbag OEM industry was USD67.6 million. The non-leather handbag OEM industry in Cambodia was relatively concentrated, with the top five players accounting for 94.6% of the total sales revenue in 2016. In terms of sales revenue, our Group was the largest non-leather handbag OEM in Cambodia, with a market share of 68.3% of the total market in 2016. Moreover, our Group had the largest number of staffs amongst all market players in the Cambodia's non-leather handbag OEM industry and was also the largest non-leather handbag export enterprise in Cambodia in terms of export value in 2016.

Our Group's production bases are strategically located in Kampong Speu, Cambodia and Dongguan, the PRC. Such a structure of manufacturing facilities is cost-effective as it leverages on the low labour cost in Cambodia and the close proximity to raw material suppliers in the PRC. Besides, our Group has broad customer bases including internationally well-known brands covering middle-end priced brands and mass-market fast fashion brands or their respective sourcing companies. Further, our Group has a strong senior management team with in-depth industry knowledge and a proven track record of achieving revenue growth.

INDUSTRY OVERVIEW

GLOBAL NON-LEATHER HANDBAG RETAIL MARKET

Market Overview of Global Non-leather Handbag Retail Market

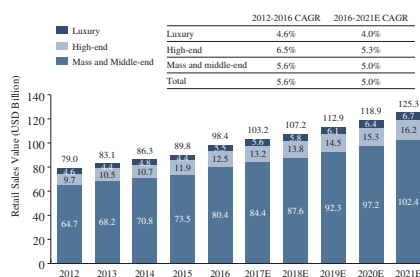
Handbags are generally categorised into top handle bags, clutch bags, shoulder bags, tote bags, accessories such as wallets, etc. By material, handbags can be classified into leather handbags and non-leather handbags. Leather handbags include handbags made by cattle skin, lamb and other animal’s skin. Non-leather handbags refer to handbags made by non-leather materials such as PU, PVC and canvas.

In the global non-leather handbag retail market, luxury non-leather handbags refer to non-leather handbags with retail price above USD800, high-end non-leather handbags refer to non-leather handbags with retail price ranging from USD200 to USD800, middle-end non-leather handbags refer to non-leather handbags with retail price ranging from USD100 to USD199, and mass non-leather handbags refer to non-leather handbags with retail price below USD100. Notwithstanding the difference in the retail price ranges of non-leather handbag in retail market, the ex-factory prices of mass market and middle-end non-leather handbags are within a similar price range. In retail sales market, the retail price difference of mass market and middle-end non-leather handbag is mainly contributed by the added value in branding. Thus, even the ex-factory prices of mass market and middle-end non-leather handbags are in the same range, there might be certain price gap between their retail prices.

In order to meet the demand of consumers, mass and middle-end non-leather handbag brands tend to follow the latest fashion trends and apply such trends to the design of handbags with cost-efficient materials, such as PVC and PU. Such non-leather handbags are made in developing countries and shipped to the world.

Market Size of Global Non-leather Handbag Retail Market

Retail Sales Value of Non-leather Handbag Retail Market by Grade (Global), 2012-2021E



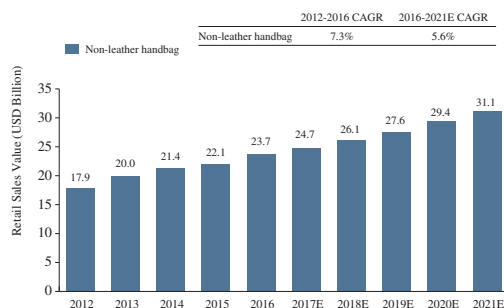
Source: Frost & Sullivan

The retail sales value of global non-leather handbag retail market increased from USD79.0 billion in 2012 to USD125.3 billion in 2021, realising a CAGR of 5.0%. In terms of retail sales value, mass and middle-end non-leather handbag retail market occupied 81.7% of the total retail market of non-leather handbag in 2016. The retail sales value of global mass and middle-end non-leather handbag retail market is estimated to reach USD102.4 billion in 2021, with a CAGR of 5.0% from 2016 to 2021.

INDUSTRY OVERVIEW

Market Size of Global Non-leather Fast Fashion Handbag Retail Market

Retail Sales Value of Non-leather Fast Fashion Handbag Retail Market (Global), 2012-2021E



Source: Frost & Sullivan

The retail sales value of global non-leather fast fashion handbag retail market increased from USD17.9 billion in 2012 to USD23.7 billion in 2016, with a CAGR of 7.3%. The market size is expected to reach USD31.1 billion in 2021, with a CAGR of 5.6% from 2016 to 2021.

Market Drivers of Global Non-leather Handbag Retail Market

Pursuit of Fashion: Non-leather handbag brands are introducing new series and collections of handbags with specific market positioning to stimulate sales. In recent years, with increasing fashion awareness, customers tend to purchase handbags with different styles.

Multiple Sales Channels: In order to achieve higher sales, most non-leather handbag brands establish multiple sales channels. Department stores, specialty stores and hypermarkets are the traditional offline sales channels which allow non-leather handbags more accessible to consumers. With the popularity of the internet, online platform has gradually become one of the most important sales channels for consumers to purchase non-leather handbags.

Increasing Brand Awareness of Consumers: Consumers are willing to pay a price premium on branded products as branded products usually represent good quality and trendy design. Thus, increasing brand awareness of consumers may further drive the development of the global non-leather handbag retail market.

Future Opportunities and Challenges of Global Non-leather Handbag Retail Market

The Further Development of Online Sales Channel: With increased internet penetration, e-commerce platforms provide a wide range of brand options for customers and at the same time increased coverage of targeted customers worldwide. In the future, a large number of mass and middle-end non-leather handbag brands are expected to open more online stores on various e-commerce platforms, which will increase the sales value and enhance the brand awareness of such brands.

INDUSTRY OVERVIEW

The Growing Demand for Diversified Designs and Brand Value: As the non-leather handbag retail market evolves due to changing customer preferences, consumer demand is expected to shift from focusing on only the raw materials used in the product to the designs and brand of the product. Therefore, the future of the non-leather handbag retail market will continue to evolve and embrace the product philosophy of design and brand value.

The Growing Influence of Social Media: Social media is an efficient means for sharing and marketing information at low cost. Non-leather handbag brands, especially fast fashion brands, tend to market their new products on social media, which could effectively promote such products to their target customers in a short time. Therefore, non-leather handbag brands are expected to attach higher importance to the promotion of their brands and products through social media in the future.

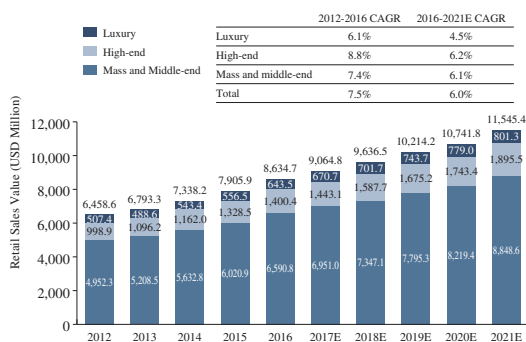
NORTH AMERICA NON-LEATHER HANDBAG RETAIL MARKET

Market Overview of North America Non-leather Handbag Retail Market

In North America, luxury non-leather handbags refer to non-leather handbags with retail price above USD800, high-end non-leather handbags refer to non-leather handbags with retail price ranging from USD100 to USD800, middle-end non-leather handbags refer to non-leather handbags with retail price from USD50 to USD99. Mass non-leather handbags refer to non-leather handbags with retail price less than USD50. In North America, there are many mass and middle-end brands in the non-leather handbag retail market. Mass and middle-end non-leather handbag brands are usually fast fashion brands with the characteristic of short product lifecycle.

Market Size of North America Non-leather Handbag Retail Market

**Retail Sales Value of Non-leather Handbag Retail Market by Grade
(North America), 2012-2021E**



Source: Frost & Sullivan

In 2016, the retail sales value of mass and middle-end non-leather handbag retail market accounted for 76.3% of the total retail sales value of the retail market in North America. The proportion is forecast to be 76.6% in 2021. The retail sales value of mass and middle-end non-leather handbag retail market in North America increased from USD4,952.3 million in

INDUSTRY OVERVIEW

2012 to USD6,590.8 million in 2016, representing a CAGR of 7.4%, and is estimated to reach USD8,848.6 million in 2021, with a CAGR of 6.1% from 2016 to 2021.

Market Drivers of North America Non-leather Handbag Retail Market

Stable Growth of Disposable Income: Per capita annual disposable income in Canada grew at a CAGR of 2.9% from 2012 to 2016, reaching CAD32,191.3 in 2016. Meanwhile, per capita annual disposable income in the U.S. grew from USD39,455.0 in 2012 to USD43,433.0 in 2016, representing a CAGR of 2.4% from 2012 to 2016. Therefore, stable growth of disposable income in North America improves consumers' purchasing power, and stimulates the consumption of non-leather handbags in North America.

Further Development of the Mobile Internet Industry: With the development of 4G telecommunication network, the mobile internet industry in North America witnessed rapid growth. Due to the development of mobile internet industry, customers can make online purchases via mobile websites and mobile apps, in addition to the internet web-page platforms. In North America's fast fashion market, the online sales accounted for over 15% of total sales in 2016. Some of our fast fashion brand end customers also have mobile websites and mobile apps to cater for consumers' needs. In the future, more mass and middle-end non-leather handbag brands are expected to develop mobile apps for consumers to make online purchase, which will increase the sales value and enhance the brand awareness of such brands. The further development of the mobile internet industry contributes to the growth of the non-leather handbag retail market in North America.

Future Opportunities and Challenges of North America Non-leather Handbag Retail Market

The Rapid Development of E-commerce: E-commerce develops rapidly in North America, which allows consumers to shop on the internet and improves the efficiency of shopping. Therefore, more mass and middle-end handbag brands begin to work with e-commerce platforms to establish their own online stores. Some fast fashion retailers also provide delivery services after customers' online purchases, thereby integrating the online and offline channels. With the help of e-commerce platform, these local non-leather handbag brands in North America are able to expand their business overseas at lower cost.

High Quality of Non-leather Handbag and Strong Market Competition: With the shift of consumers' consumption concepts towards more rational consumption, customers in North America prefer well-designed branded handbags with high quality and make comparisons among various brands before making purchasing decisions. Such behaviour of consumers lead to more intensive market competition. Accordingly, non-leather handbag brands, especially fast fashion brands, will have to be conscious about pricing their products at an attractive level without compromising on product quality in order to remain competitive in the market.

REGULATORY OVERVIEW

We are subject to various laws and regulations of the PRC, Cambodia and Hong Kong that are material to our operations and are discussed below.

REGULATORY REQUIREMENTS IN THE PRC

Introduction

The following sets forth a summary of the most significant laws and regulations that affect our business in the PRC. Information contained below shall not be construed as a comprehensive summary of laws and regulations applicable to us.

Laws and Regulations on Establishment and Changes

The major laws and regulations in PRC concerning establishment of foreign investment corporate entities include: Company Law of the PRC (中華人民共和國公司法), Foreign investment Enterprise Law of the PRC (中華人民共和國外資企業法) and Guidance Catalog of Industries for Foreign Investment (外商投資產業指導目錄).

Company Law of the PRC (中華人民共和國公司法) was promulgated by Standing Committee of National People's Congress on 29 December 1993 and came into effect on 1 July 1994. It was subsequently revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Company Law generally governs limited liability companies and joint stock limited companies. In accordance with this law, liability of a company to its debtors is limited to the value of assets owned by the company, and liability of shareholders is limited to the amount of registered capital they have contributed. Company Law shall also apply to foreign-invested enterprises. Where laws and regulations on foreign investment have other provisions, such provisions shall apply.

Foreign investment Enterprise Law of the PRC (中華人民共和國外資企業法) was promulgated by National People's Congress on 12 April 1986 and revised on 31 October 2000 and 3 September 2016. This law contains specific provisions regarding to incorporation, change, article of association, labor, financial and account, foreign exchange administration and other relevant matters of foreign investment enterprises.

Implementation Rules of Foreign investment Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) was approved by the State Council on 28 October 1990 and promulgated by Ministry of Foreign Trade and Economic cooperation on 12 December 1990. It was revised on 12 April 2001 and 19 February 2014 subsequently. This rule has specific provisions on procedures of incorporation, procedures of change, form of incorporation, registered capital, form of contribution, period of contribution, taxation and foreign exchange administration of foreign investment enterprises.

REGULATORY OVERVIEW

Guidance Catalog of Industries for Foreign Investment (Guidance Catalog) (外商投資產業指導目錄) was jointly issued by Ministry of Commerce and National Development and Reform Commission in 1995, and revised in 1997, 2002, 2004, 2007, 2011 and 2015. Guidance Catalog contains specific provisions guiding foreign capital access to market, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in Guidance Catalog is a permitted industry. The business engaged by our group does not fall into the “restricted” or “prohibited” categories.

Laws and Regulations on Operation

Foreign Exchange Control

Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) was promulgated by State Administration of Foreign Exchange on 4 July 2014. According to this circular, before a domestic resident contributes its legally owned onshore or offshore assets and equity into a SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. The SPV is defined as offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing. Round Trip Investments refer to the direct investment activities carried out by a domestic resident directly or indirectly via a SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests. In addition, according to the procedural guidelines as attached to this Circular, the principle of review has been changed to the domestic individual resident is only required to register the SPV directly established or controlled (first level).

Labour and Social Insurance

Labour Law of the PRC (中華人民共和國勞動法) was promulgated by Standing Committee on 5 July 1994, came into effect on 1 January 1995 and was revised on 27 August 2009. According to this law, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. Employers may not require their employees to work in excess of the prescribed time limits and must timely pay wages that meet certain minimum wage standards. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

REGULATORY OVERVIEW

Social Insurance Law of the PRC (中華人民共和國社會保險法) was promulgated by Standing Committee on 28 October 2010 and came into effect on 1 July 2011. According to this law and other relevant social insurance regulations, employers in the PRC must register with the relevant social insurance authority and make contributions to the basic pension insurance, basic medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. Pursuant to Social Insurance Law, basic 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, a fine of one to three times the actual premium may be imposed. 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 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.

Regulations on Management of Housing Provident Funds (住房公積金管理條例) was promulgated by State Council on 3 April 1999 and revised on 24 March 2002. According to this regulation, employers are required to register with the local housing fund management center and set up a special housing fund account with an entrusted bank. Employers are also required to contribute no less than 5% of each employee's average monthly salary in previous year to the housing fund on behalf of their employees fully and timely. The subsequent late registration or no registration may be subject to the fine above RMB10,000 and below RMB50,000.

Environmental Protection

The major laws and regulations in PRC concerning environmental protection include: Environmental Protection Law of the PRC (中華人民共和國環境保護法), Evaluation of Environmental Effects Law of the PRC (中華人民共和國環境影響評價法) and Regulations on Environmental Protection Management for Construction Projects (建設項目環境保護管理條例).

According to the aforesaid laws and regulations, the PRC has established an environmental impact assessment system for project construction, and the construction, expansion and operation of products manufacturing facilities are subject to the advance approval and acceptance of the completed environmental protection facility from the competent PRC environmental authorities. For failure to obtain the advance approval and acceptance of the completed environmental protection facility, the enterprise may be ordered to cease the construction or operation of facilities, or make repairs within the time limit or be fined by the competent PRC environmental authorities. The aforesaid laws and regulations also impose fees for discharge of waste substances, and impose fines and indemnity for the improper discharge of waste substances and serious environmental pollution. The PRC environmental authority may shut down any facility that fails to comply with the environmental protection laws and regulations at its discretion.

REGULATORY OVERVIEW

Laws and Regulations on Taxation

Income Tax

Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) was promulgated on 16 March 2007 and came into effect on 1 January 2008, and revised on 14 February 2017. According to this law, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises which are established in the PRC according to law, or which are established according to the law of a foreign country (region) but whose actual management body is in the PRC. Non-resident enterprises refer to enterprises which are established according to the law of a foreign country (region) and whose actual management body is not in the PRC, but which have established agencies or offices or which haven't established agencies or offices in the PRC but have income earned in the PRC. The rate of enterprise income tax is 25% generally.

Value-Added Tax

Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) was promulgated by State Council on 13 December 1993 and came into effect on 1 January 1994, and revised on 5 November 2008 and 6 February 2016. According to this regulation, all entities and individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay VAT. VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17% and the rate applicable to small-scale taxpayers is 3%. Taxpayers other than small-scale taxpayers shall apply to the competent taxation authorities for the grant of qualification.

According to Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Labor Services (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知), exported goods and labor services to which the VAT refund (exemption) policy applies. The VAT exemption and refund policy shall apply to the following exported goods and labor services, namely goods exported by export enterprises, goods regarded as exports of export enterprises or other entities and processing, maintenance and repair labor services provided by export enterprises to the overseas.

Laws and Regulations on Properties

Real Estate Law

Property Law (中華人民共和國物權法) was promulgated by Standing Committee on 16 March 2007 and came into effect on 1 October 2007. Property right mentioned in Property Law means the exclusive right enjoyed by the obligee to directly dominate a given thing according to law, which consists of the right of ownership, the usufruct and the security interest on property. According to this law, the creation, alteration, transfer or extinction of the property right of the immovable shall become valid upon registration in accordance with the provisions of law. The building ownership certificate is the proof that the obligee is entitled to the property right of the said buildings.

REGULATORY OVERVIEW

Land Administration Law of the PRC (中華人民共和國土地管理法) was promulgated by Standing Committee on 25 June 1986 and revised on 29 December 1988, 29 August 1998 and 28 August 2004. According to this law, no units or individuals may misappropriate, buy and sell land, or illegally transfer land by other means, however, the right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by units or individuals shall be registered with and recorded by the people's government at or above the county level, which shall issue State-Owned Land Use Rights Certificates upon verification. Units or individuals that illegally occupy and use land without approval shall be ordered by land administration departments of the people's governments at or above the county level to return such land, demolish the structures and installations built on such land within a time limit, or the structures and installations built on such land shall be confiscated, and the units or individuals may also be fined. The persons directly in charge of the said units and other persons directly responsible for the violations shall be given administrative sanctions in accordance with law; if the violations constitute crimes, criminal responsibility shall be investigated in accordance with law. The amount of the fine shall be not more than RMB30 per sq.m. of the land illegally used according to the Regulations for the Implementation of the Land Administration Law (中華人民共和國土地管理法實施條例).

Measures for Building Registration (房屋登記辦法) was promulgated by Ministry of Construction on 25 February 2008. According to this measures, the building registration shall adhere to the principle of consistency between the building ownership and the subject holding the right to use the land within the extent as occupied by the building.

Laws and Regulations on Merger and Acquisition

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) was promulgated by Ministry of Commerce on 22 June 2009. According to this Provision, a foreign investor is required to obtain necessary approvals when a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise, or a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. In addition, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from Ministry of Commerce is required.

REGULATORY OVERVIEW

REGULATORY REQUIREMENTS IN CAMBODIA

Laws and regulations relating to foreign investment

Foreign investment

Any business activity conducted in Cambodia is subject to the Law on Commercial Rules and Registry enacted on 3 May 1995 (as amended on 18 November 1999) and the Law on Commercial Enterprises promulgated on 19 June 2005, which regulate the establishment, operation and management of a company or business conducted in Cambodia.

In addition to the general legal framework described above, any investment in Cambodia is subject to the Law on Investment of Cambodia enacted on 4 August 1994 (“**Investment Law**”), as amended by the Law on the Amendment of the Investment Law dated 24 March 2003 (“**Investment Amendment Law**”), and the implementing Sub-Decree 111 of the Amendment to the Law on Investment of Cambodia enacted on 27 September 2005 (“**Sub-Decree 111**”).

All business activities in Cambodia are permitted, subject to the prohibitions set out in the ‘Negative List’ in Sub-Decree 111. As provided in the Negative List, some forms of investment are restricted for reasons of national security, social safety or protection of the national economy. Other forms are allowed but ineligible for any government incentive scheme. The production of handbags is not listed in the ‘Negative List’ and, as a result, it is not prohibited or restricted in Cambodia.

Investment companies encompass companies that undertake large scale investments in Cambodia, which are entitled to government incentives upon fulfilment of the regulatory requirements applicable to the grant of such incentives. Investment companies are regulated by the Council for the Development of Cambodia, which is the executive government authority led by the Prime Minister of Cambodia, and are subject to the Investment Law, the Investment Amendment Law and Sub-Decree 111. The production of leather and related products with a total investment capital of USD300,000 (three hundred thousand United States Dollars) or more is qualified to be registered as a qualified investment project and is eligible for various investment incentives, as described below.

On 6 March 2015, the Royal Government of Cambodia adopted the Industrial Development Policy for 2015-2025 aiming to promote and modernise the country’s industrial development. A key policy objective of the Industrial Development Policy is to review and amend the Investment Law and related regulations so as to facilitate the development of industrial sectors.

Government incentive scheme

Pursuant to the Investment Amendment Law, a qualified investment project, either domestic or foreign, is eligible for the following incentives:

- (a) holiday from tax on profit for a certain period or escalated depreciation allowance on the value of the new or used tangible properties used in production or processing (at the election of an investment company);

REGULATORY OVERVIEW

- (b) exemption from duties on the importation of production equipment and construction materials for a domestic qualified investment project; and
- (c) exemption from duties on the importation of production equipment, construction materials, raw materials, intermediate goods and production input for an qualified investment project involved in export oriented industry or a qualified investment project that supports export oriented industry.

Further, under the Investment Law, an investment company is entitled to protection (excluding with respect to ownership of land) against nationalisation by the Royal Government of Cambodia, which could adversely affect its assets in Cambodia. Similarly, the Investment Amendment Law prohibits the Royal Government of Cambodia from fixing the price for products manufactured by or the fee for the services provided on behalf of a qualified investment project.

Foreign relations in Cambodia

Cambodia has established diplomatic relations with most countries, including China where our business is conducted and European Union, the United States and Japan where our products are exported.

Cambodia is granted with duty-free and quota-free exports to the European Union for all goods, except arms and ammunition under the ‘Everything But Arms’ trading scheme adopted by the European Union. The ‘Everything But Arms’ scheme also relaxes the rules of origin for products imported under the Generalized System of Preferences, effective from 1 January 2011. These relaxed rules of origin allow Cambodia to claim origin for its products, even if the primary materials do not originate in Cambodia.

Cambodia is also a beneficiary of the Generalized System of Preferences granted by Japan for the export of products made in Cambodia to Japan under preferential tariff treatment.

From mid-2016, following the major expansion of the Generalized System of Preferences of the United States, Cambodia has been able to export travel goods such as luggage, backpacks, handbags and wallets to the United States duty free. However, the Generalized System of Preferences expired on 31 December 2017. For details, please see “General Overview of Applicable Laws and Regulations of the United States – Import Tariff and Quota Regulations” in this section.

REGULATORY OVERVIEW

Laws and regulations relating to land ownership, building ownership and lease over land

The Cambodian Constitution and the Land Law dated 30 August 2001 are the key laws governing land ownership in Cambodia. Based on Article 44 of the Cambodian Constitution, only Khmer legal entities and citizens of Khmer nationality shall have the right to own land.

Pursuant to Article 101 of the Law on Commercial Enterprises dated 30 May 2005 (“**LCE**”) a company is deemed to be of Cambodian nationality when: (1) it has a place of business and a registered office in the Kingdom of Cambodia; and (2) 51% or more of the company’s voting shares are owned by a Khmer national, either natural or legal person.

In this respect, for a legal entity to own land in Cambodia, the legal entity must have Cambodian nationality as defined under Article 101 of the LCE. A foreign investor, either a natural or legal person, may hold up to 49% of shares of a legal entity of Cambodian nationality that owns land in Cambodia.

Under Cambodian law, there is no distinction between land, buildings, structures and fixtures. Consequently, the notion of “immoveable property” includes land and things affixed to land and the landowner owns such construction erected on the land (Article 120(2) and Article 122, Civil Code). On this basis, no separate certificate of title is issued for any building attached to land.

There is an exception in the Civil Code to the above in connection with leases and buildings (or constructed work) built on land pursuant to a leasehold right, which are a component of such right and not a component of the land, specifically “buildings and other structures built on land by a right-holder, as well as grown timber, plants, etc. shall be deemed components of the right of that right-holder” (Article 123 and Article 124, Civil Code), but are naturally subordinated to such right.

Upon expiration or termination of the lease, the landowner, as holder of the title to the land and, consequently, all “immoveable property”, becomes the owner of any such construction erected on the land (Article 254(2), Civil Code). However, the parties to the lease agreement may contractually agree upon the lessor being liable for the payment of compensation to the lessee for the construction erected by the lessee on the land during the term of the lease. Also, the parties may agree under the lease agreement that the lessee may decide to demolish any construction erected during the lease.

Foreign investors may also secure control over land through leases. Pursuant to the Civil Code dated 8 December 2007 and the Law on Enforcement on the Civil Code dated 31 May 2011 (“**Civil Code**”), leases can be either short-term or long-term (perpetual). Articles 244 and 247 of the Civil Code provide that a long-term lease is a lease with a minimum duration of fifteen (15) years and a maximum duration of fifty (50) years (“**Maximum Term**”). If a long-term lease is made with a term exceeding the Maximum Term, it will be shortened to fifty (50) years. A long-term lease may be renewed provided that the renewed term may not exceed the Maximum Term counting from the date of renewal.

REGULATORY OVERVIEW

To be enforceable against third parties, a long-term lease must be perfected by way of registering such leasehold interest on the certificate of title to the land with the relevant Provincial/Municipal Department of Land Management, Urban Planning, Construction and Cadastre of the Ministry of Land Management, Urban Planning and Construction (“**MLMUPC**”).

Registration of a long-term lease constitutes a right in *rem* over the leased land and such right may be sub-leased, assigned for valuable consideration or transferred by succession. A registered long-term lease gives notice to any potential purchaser or subsequent lender that its rights would be subordinated to the rights of the lessee.

In contrast, a short-term lease does not create any right in *rem* over the leased land. Under Article 598(1) of the Civil Code, a short-term lease may be enforced against a third party acquirer of a real right to the leased land if the lessee has occupied and continuously used and profited from the leased land.

Laws and regulations relating to factory operation

Pursuant to the Law on the Amendment to the Law on Management of Factories and Handicrafts dated 23 October 2014 (“**Factories and Handicrafts Amendment Law**”), a factory means buildings, places or vehicles for producing and transforming raw material or semi-final products to new products or/and for performing other activities such as assembling, repairing, testing, packaging, filling, maintenance, storage or improvement to satisfy the market demand.

In addition, according to Prakas (ministerial ordinance) 199 dated 9 September 2016 on the Procedures for Implementing the Provisions related to the Operation of Factories and Handicrafts, a factory is defined as a manufacturing facility that uses or is expected to use tools, machines, equipment and furniture in the facility for production in an enterprise, which represents an investment capital of more than USD500,000 (five hundred thousand United States Dollars).

In accordance with the above Factories and Handicrafts Amendment Law, the establishment of a factory or a branch or the expansion or relocation of a factory is subject to the following:

- (1) a factory establishment permit under a form of Prakas; and
- (2) a factory operating license from the MIH.

Following receipt of the factory establishment permit and factory operating license from the MIH, the owner of the factory must comply with all obligations stated therein.

A factory establishment permit is issued with permanent validity. Once the factory owner has obtained the establishment permit and the factory is ready to manufacture, a factory operating license must be sought from the MIH.

REGULATORY OVERVIEW

The factory operating license, valid for three (3) years, is a written acknowledgement from the MIH that a new factory has been established in accordance with its factory establishment permit and, thereby, the owner of the factory is authorised to start manufacturing. Provided that the owner of the factory has fully complied with its obligations in respect of factory operation and the factory's owner has not received any automatic renewal of the factory operating license from the MIH, the factory's owner must apply to the MIH to obtain the renewal of the factory operating license at least fifteen (15) days before the license's expiry date.

In addition to the above factory establishment permit and operating license, before building any structure on land, or substantially renovating a building, the owner of the land or building must obtain a construction permit from either the government delegate to the city, if construction is occurring in an urban area, or from the provincial governor in rural areas. A construction permit must be approved by the MLMUPC for commercial buildings of more than three thousand (3,000) square meters.

Laws and regulations relating to environmental protection

Companies carrying out manufacturing operations including, among others, leather or non-leather production or textile activities are subject to the Law on Environmental Protection and Management of Natural Resources, enacted on 24 December 1996.

Further, based on Sub-Decree 72 on Environmental Impact Assessment dated 11 August 1999 ("**Sub-Decree 72**"), a governmental regulation providing guidance on the implementation of the Law on Environmental Protection and Management of Natural Resources, a company carrying out any of the following activities is required to submit an initial environmental impact assessment ("**IEIA**") and then a full scale environmental impact assessment ("**EIA**"):

- (1) the operation of a leather tanning, glue and/or leather processing factory (all sizes);
- (2) the operation of a textile factory (all sizes);
- (3) the operation of a garment, printing and dyeing factory (all sizes); and
- (4) the operation of a sponge-rubber factory (all sizes).

The Ministry of Environment ("**MOE**") is the main competent governmental authority approving the IEIA and the EIA and has the authority to inspect any premises or any means of transport if the MOE considers that it affects the environment.

While Sub-Decree 72 is silent on IEIA requirement for a company manufacturing handbags, the MOE may require such company to prepare and submit an IEIA at its sole discretion. Notably, according to Prakas 1428 dated 20 November 2014 on the amendment of Prakas 999 dated 28 December 2012 on the public service fees of the MOE ("**Prakas 1428**"), a company operating a bag manufacturing factory (all sizes) is required to execute an

REGULATORY OVERVIEW

environmental protection agreement with the MOE. An environmental protection agreement generally contains undertakings by a manufacturing company to comply with environmental laws and regulations, in particular, those related to waste management and air and noise pollution, and to cooperate with the MOE officials for any authorised inspection at their factory.

A company will be also responsible for contributing to the environment endowment fund for environmental protection, however, as at the Latest Practicable Date, we are not aware of any regulation which determines the specific amount of such contribution. While, based on Prakas 1428, the amount of the contribution should be made on a voluntary basis, as a matter of practice, the amount is determined at the discretion of the MOE.

In addition, as ongoing obligations, a factory is required to obtain other approvals from the MOE as below (as the case may be):

- (1) approval on liquid waste management, according to Article 10 of the Sub-Decree 27 on Water Pollution Control dated 06 April 1999, including discharge or transportation of wastewater from any sources of pollution to other places;
- (2) approval on solid waste management, according to Article 17 of the Sub-Decree 36 on Solid Waste Management dated 27 April 1999, including transportation of hazardous waste from a factory or manufacturing site; and/or
- (3) approval on air pollution and noise disturbance, according to Article 13 of the Sub-Decree 42 on Air Pollution and Noise Disturbance dated 10 July 2000, any release of pollutants and noise into atmosphere from fixed sources, such as factories, must have prior approval from the MOE.

The above approvals are generally valid for one year and are renewable.

Laws and regulations relating to labour and employment

Employment relations in Cambodia are governed by the Labour Law passed on 10 January 1997 (as amended on 20 July 2007) and individual employment contracts and/or collective bargaining agreements. The terms of employment contracts must be at least as favourable to employees as the terms provided in the Labour Law. Employment contracts may have a specified duration of up to two years or an unspecified duration.

Prior to commencing operations, the Labour Law requires companies to submit written declarations of enterprise and their employees to the Ministry of Labour and Vocational Training (“MLVT”), including an enterprise opening declaration form, initial employee declaration and payroll ledger forms.

After completing the initial declaration, a company must apply for foreign employee quota for the hiring of non-Cambodian employees. Under the quota system, a maximum of 10% of local workforce may be foreign (based on a calculation of foreign employees/local

REGULATORY OVERVIEW

employees). In addition, upon hiring Cambodian national employees, a company must apply and obtain a work book, being a document that identifies its holder and the details of employment, and an employment identification card for its Cambodian national employees. Non-Cambodian employees are also required to obtain a work permit once the company has received quota approval for the hiring of non-Cambodian employees. A company must submit a subsequent declaration to the MLVT each time it hires or dismisses an employee.

A company with eight or more employees must arrange an election to elect shop stewards and also prepare the internal work rules which contain rules on working conditions, including the calculation and payment of wages, working hours, holidays, safety and sanitation measures and sanctions imposed upon the employees for breach of the company's regulations. The above internal work rules must be submitted for consultation with the elected shop stewards.

Further, a company with a large number of employees must comply with the following:

- (1) for a company with more than 60 employees, train apprentices based on the required quotas proportional to the company's total workforce or submit a request to the MLVT for payment of tax in lieu of training the apprentices equal to 1% of the total annual salary of all employees per year; and
- (2) for a company with 100 or more employees, employ 1% of its total workforce as qualified disabled persons.

The Labour Law empowers the MLVT to set a minimum wage for all industries in Cambodia based on the recommendations made by the Labour Advisory Committee. At the Latest Practicable Date, the MLVT is in the process of drafting national minimum wage legislation which will determine the minimum wage's criteria for all sectors in Cambodia.

The first minimum wage regulation was introduced by the MLVT in 1997 but was limited to the textile, garment and footwear industries. At the Latest Practicable Date, the minimum wage for the textile, garment and footwear industries is set at USD148 per month for probationary employees and USD153 per month for regular employees for 2017 and such rate is subject to ongoing negotiation. Effective from 1 January 2018, probationary employees will be entitled to USD165 per month and USD170 per month upon completion of the probationary period. In addition to the minimum wage, the MLVT has regulated other benefits for the textile, garment and footwear industries, such as a seniority bonus, attendance bonus, accommodation allowance, transportation allowance and meal allowance to be paid by employers to their employees.

Cambodia has ratified key international conventions on child labour, including the International Labour Organization's Convention 138 on Minimum Age and Convention 182 on Worst Forms of Child Labour.

REGULATORY OVERVIEW

Under the Labour Law, the minimum allowable age for employment is 15 years of age, except for the following work, in which case, the minimum age is 18 years old:

- (i) night work; or
- (ii) work, which by its nature could be hazardous to the health, safety or morality of an adolescent including (but not limited to):
 - (a) work in repair workshops;
 - (b) chemical-exposed work;
 - (c) work in button attaching, cutting, sandblasting, agitating, drying, paint spraying, paint drying and/or production flow sections; or
 - (d) other work among the 38 works specified in Prakas 106 on Prohibition of Children to Work on a Dangerous Field dated 28 April 2004 (“**Prakas 106**”) and other applicable regulations (Articles 175 and 177 of the Labour Law, Clause 7 of Prakas 307 on Conditions of Occupational Hygiene and Safety in Garment and Shoe Factories dated 14 December 2007 and Clause 2 of Prakas 106).

While Cambodia law has not specifically defined what constitutes working conditions that are ‘hazardous to the health, safety or morality’ of a child, Prakas 106 lists 38 types of hazardous work considered to be harmful to the health, safety or mortality of a child.

Nevertheless, there are exceptions to the above minimum age restrictions whereby: (i) children between the age of 12 to 15 years of age can be hired for light work subject to the conditions as stated in the Labour Law and Prakas 002 on the Category of Occupation and Light Work Permitted for Children Aged from 12 to 15 dated 8 January 2008 and (ii) children attaining the age of 16 years of age can work in hazardous work provided that there is a permit from the MLVT.

The employers of enterprises, factories and establishments, as stated in Article 1 of Labour Law, are prohibited from hiring children between 15 and 18 years of age to work in hazardous working conditions. Employment of children in the above age range must be in compliance with the procedures set out in Prakas 467 on Procedures of Recruitment of Young Workers in Enterprises and Establishments dated 20 November 2015 issued by the MLVT, which address the following:

- (i) verification of the age of the relevant applicant before hiring;
- (ii) the employment contract must be consented to by the parent or guardian of the relevant applicant in accordance with Article 181 of the Labour Law;
- (iii) employment of a children must be subject to prior approval of the MLVT; and
- (iv) the employer must keep a record indicating the name of children.

REGULATORY OVERVIEW

Laws and regulations relating to health and safety measures

The MLVT prescribes certain standards for health and safety. Generally, a company must provide a sanitary environment and maintain working conditions necessary for the health of its employees. Furthermore, the MLVT and other relevant ministries prescribe certain safety requirements, including those governing the lifting of heavy objects, the protection from machinery and equipment and preventive measures in relation to toxic substances and flammable materials.

A company with at least 50 employees must establish a permanent infirmary on its premises. The number of medical personnel required depends on the number of employees. At a minimum, one nurse must be present during all working hours. The infirmary must have adequate materials, bandages and medicines so as to be able to provide emergency care to employees in the event of accidents or occupational illness or sickness during work. The employer must cover all expenses incurred in organising and operating the infirmary.

Additionally, a company employing 100 or more women is required to set up a nursing room and a day-care centre within or near its establishment. If an employer does not provide a day-care centre, the employer is required to assist female employees with the fees for outside day-care centres for children aged 18 months or older.

Laws and regulations relating to insurance and pension scheme

Under the Labour Law, there is a social security scheme for employees working in the private sector in Cambodia. Based on the Law on Social Security Schemes for Persons defined by the Provisions of the Labour Law, enacted on 25 September 2002 and its implementing regulations, a company with one or more employees must register all of its employees with the National Social Security Fund (“NSSF”). The NSSF scheme covers three pillars: (1) occupational risk insurance (work-related accident and occupational disease); (2) health care insurance; and (3) pension scheme which has yet to be implemented.

Once registered with the NSSF, a company must pay a monthly contribution for occupational risk insurance equal to 0.8% of employee’s monthly average wage (as determined by the NSSF) to the NSSF. The monthly contribution for occupational risk insurance ranges from USD0.40 to USD2.40 per employee. In addition, a company must also pay monthly contribution for health care insurance equal to 2.6% of employee’s monthly average wage (as determined by the NSSF) to the NSSF. Monthly contribution for health care insurance is between USD1.30 to USD7.80 per employee. Following the passing of Prakas 449 on the Determination of Rates, Forms and Procedures to Contribute to the National Social Security Fund for Occupational Risk Scheme and Health Care Scheme for Persons governed by the Labour Law, dated 10 November 2017, contributions to the health care insurance is now the sole responsibility of the employer.

REGULATORY OVERVIEW

Laws and regulations relating to import and export approvals

In general, both Cambodian and foreign companies are permitted to freely import and export goods. In most cases, no license is required to import goods into Cambodia. Similarly, no export license or permission is required for the exportation of goods out of Cambodia to other countries, except for imports or exports that are subject to prohibition and restriction on grounds of, among others, protection of national security, public order or morality, conservation of national resources and fulfilment of obligations under the Charter of the United Nations. A list of prohibited and restricted imports or exports is provided in Sub-Decree 209 on the Enforcement of the List of Prohibited and Restricted Goods dated 31 December 2007 which was updated by the Ministry of Economy and Finance via Letter 3784 dated 19 June 2012 in order to be in alignment with ASEAN Harmonized Tariff Nomenclature (AHTN 2012) with the entirety of the related provisions in Sub-Decree 209 remaining intact.

REGULATORY REQUIREMENTS IN HONG KONG

Laws and regulations relating to the transfer pricing regulations

Section 20(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) provides that where a resident person conducts transactions with a “closely connected” non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the “**IRD**”) wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

In December 2009, the IRD released Departmental Interpretation and Practice Notes No.46 (“**DIPN 46**”). DIPN 46 provides clarifications and guidance on the IRD’s views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm’s length prices. In general the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines.

REGULATORY OVERVIEW

Laws and Regulations in relation to Employment

1. *Employment Ordinance (Chapter 57 of the Laws of Hong Kong)*

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

2. *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.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) 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 this 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.

3. *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 Scheme for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

REGULATORY OVERVIEW

IMPACT OF INTERNATIONAL SANCTIONS LAWS

During the Track Record Period, our handbag products were exported in the ordinary course of business to destinations in Lebanon, Serbia and Russia. In light of our Group's sale of products to customers with export destinations in these countries, we have appointed Hogan Lovells, an international law firm, to determine whether our sales of products to customers with Countries subject to International Sanctions as export destinations during the Track Record Period violate any International Sanctions law or regulations.

As advised by our International Sanctions Legal Advisers, our Group's historical sales and other business dealings in Lebanon, Serbia and Russia during the Track Record Period do not implicate any applicable sanctions laws on our Group, or any person or entity, including the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors. For details on our business activities in the sanctioned countries and impact of sanctions laws, see the section headed "Business – Business Activities with customers with Countries Subject to International Sanctions as export destinations".

GENERAL OVERVIEW OF APPLICABLE LAWS AND REGULATIONS OF THE UNITED STATES

During the Track Record Period, the majority of our products were exported to the United States. Such products will have to comply with certain laws and regulations in relation to, among others, product safety and product liabilities. As advised by our legal adviser as to the laws of the United States, a summary of the law and regulations of the United States which are relevant to goods exported to the United States are set out below:

Consumer Protection, Product Safety and Product Liability Law

In the United States, there are two separate and distinct areas of law that may apply to product defects or injuries caused by a product: product safety regulations and product liability law. The first is a body of administrative law pertaining to product requirements and rules that are enforced by various government agencies, depending on the product. The second body of law, products liability law, governs litigation of product accidents and injuries in which a plaintiff may be entitled to recover monetary damages. Exposure to United States products liability law can be broad and allows consumers to sue a party who designed, manufactured, sold, or supplied an offending product, whether that causes an injury or in some cases where there is a likelihood that a product could cause injury. Exposure to either product safety regulations or products liability law in the United States is limited by the jurisdictional power of the courts in the United States and its administrative agencies.

REGULATORY OVERVIEW

A. *Product Liability Law*

Products liability law governs private litigation of product accidents. It operates *ex post*, meaning it is a body of rules that govern after a product accident has already occurred.

There are four basic theories of recovery when dealing with a product alleged to be defective: strict products liability, negligence, breach of warranty, and tortious misrepresentation. A litigant is not limited to one theory in bringing a lawsuit, but rather can assert any and all theories simultaneously. Further, all four theories have broad application to a vast array of products.

Strict products liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. This is because, unlike negligence, strict products liability wrongs do not depend on the degree of carefulness by the defendant. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer. A product can be defective in its manufacture, that is the product does not conform to design specifications or performance standards, or it deviated in some material way from otherwise identical units of the same product line. A product can also be defective in its design. A product has a design defect when its design or configuration is what makes it unreasonably dangerous. Finally, a product can be defective because it lacks proper warning or instructions. These are generally called failure to warn claims.

With strict products liability, it is irrelevant whether the manufacturer or supplier exercised all due care in the design, manufacture, or marketing of the product; if there is a defect in the product that causes harm, he or she will be liable for it. Thus, strict product liability is liability without fault for an injury proximately caused by a product that is defective and not reasonably safe.

Negligence actions, on the other hand, require a plaintiff to show that (1) the defendant owed the plaintiff a duty of due care, (2) the defendant breached that duty by furnishing a defective product, and (3) the defendant's breach caused the plaintiff's injury. The analysis focuses on the acts or omissions of the manufacturer of the product. The duty to exercise reasonable care involves every phase of getting the product to the public. For example, not only must the product be manufactured with reasonable care, the product must also be designed in a way that is safe when used as intended. The product must be inspected and tested at appropriate stages in the manufacturing, distribution and selling process. The product must be made from appropriate (i.e., safe and non-defective) materials, and assembled with appropriate care to avoid against its negligent manufacture. The product's container or packaging must be adequate (and not itself dangerous or defective), and contain appropriate warnings and directions for use. An otherwise non-defective product can be made unsafe by the failure to provide adequate instructions for its safe use.

The breach of warranty cause of action is governed by contract law. In the simplest of terms, a warranty is a promise, claim, or representation made about the quality, type, number or performance of a product. In general, the law assumes that a seller always provides some kind of warranty concerning the product he sells and the he should be required to meet the obligation created by the warranty.

REGULATORY OVERVIEW

For the most part, the law that governs the sale of goods, in general, and warranties, in particular, is uniform from state to state. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code – or, as it is typically referred to, the UCC. The UCC has been adopted in every state. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Finally, tortious misrepresentation is similar to warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing tortious misrepresentation are judge-made and vary from jurisdiction to jurisdiction.

B. Product Safety Regulations

The second body of law is product safety law. The law of product safety is regulatory law and is governed primarily by the Consumer Product Safety Commission (“CPSC”), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. Children’s toys and infant care products fall under its jurisdiction. Product safety law operates *ex ante*, meaning that it seeks to prevent product-caused accidents and diseases before they occur.

The Consumer Product Safety Improvement Act of 2008 (“CPSIA” or “**the Improvement Act**”) was passed by Congress in 2008. The CPSIA constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into distributed in the United States. Products imported into the U.S. which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. custom agents, its jurisdiction does not extend beyond the territorial limits of the United States.

Under the CPSIA, a “general conformity certification” is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule issued under the Consumer Product Safety Act, or a similar rule, standard, regulation, or ban issued by the CPSC or under any statute issued by the commission. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the commission. Such laws include the CPSCA, Flammable Fabrics Act, Federal Hazardous Substance Act, and Poison Prevention Act.

The Improvement Act specifies that certification must be based on a “test of each product or a reasonable testing program.” The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must

REGULATORY OVERVIEW

also be furnished to United States Customs. And, if requested by the commission, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

No Specific Product Requirements for Handbags

The CPSC is responsible for enforcing many statutes and regulations which target particular consumer products. They can and have required the recall of consumer handbags and backpacks designed for children. The CPSC also requires all manufacturers to inform the CPSC whenever a manufacturer “obtains information which reasonably supports the conclusion that the manufacturer’s product which could create a substantial product hazard.” 16 C.F.R. § 1115.4. Such recalls may occur either because of a specific, ascertainable product defect or as a prophylactic and corrective measure in response to large numbers of consumer reports of injury resulting from the product.

The CPSC has issued certain product-specific regulations, particularly in the case of toys and “children’s products.” As noted, however, the Company has informed us that it does not manufacture any handbags or products designed for children. Our research has not revealed any specific regulatory requirements that have been mandated by the CPSC for handbags.

California Specific Statutes and Regulations

In addition to the regulatory scheme imposed on the Federal level and state based claims, it is important to note that state regulations can also control the distribution of imported products into the U.S. The most significant of those, and which are worthy of particular mention, are California statutes and regulations.

California’s Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 *et seq.*, commonly known as “**Proposition 65**”) requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Various phthalates which can be used in plastics and vinyl (BBP, DEHP, DBP, DnHP, DIDP, and DINP) are among the chemicals so regulated. Exposures requiring a warning include those that may occur from handling a product or its packaging. This statute and the related regulations apply to all consumer products. Under Proposition 65, enforcement for failure to provide an appropriate warning is brought about either by government authorities in California or by private enforcers and may result in fines of up to US\$2,500 per day per item sold and the payment of the enforcer’s legal costs and fees.

For some chemicals, a “safe harbor” level has been determined whereby a warning is not required under this statute if the use of a specific product or its packaging would not result in exposing the average user to more than that level of the chemical at issue. Because the amount of exposure is dependent upon how a product is used, it is often not

REGULATORY OVERVIEW

easy to determine whether a product which contains one of these chemicals falls below a safe harbor level. In other instances, settlements have been reached whereby the parties agree to a limit of a chemical in certain products. In a wide-reaching settlement of an action involving a variety of phthalate-containing products, dozens of product manufacturers agreed, in addition to payment of substantial penalties, to promulgate the so-called “3P standards” (“a maximum concentration, by weight, of DEHP, BBP and DBP, each, of 1000 parts per million (ppm) or less in any poly vinyl chloride, soft plastic, other vinyl or synthetic leather component”). Recent settlements of private enforcement claims have also set 1000 ppm or 0.1% of weight as the level for various phthalates in non-child focused products, below which a warning is not required. Products that may be used by children could be subject to an even lower level.

Overseas manufacturers are not exempt from these Proposition 65 requirements if their products are sold in California.

Import Tariff and Quota Regulations

Manufactured goods imported from China are generally subject to United States import duties. China is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement (“FTA”) in place. See <http://trade.gov/fta/> (identifying all countries, not including China, which have entered a free trade agreement with the U.S.). The rates of duty are set forth in the Harmonized Tariff Schedule of the United States (“HTS”) which identifies applicable duties for the universe of imported goods, organized by class and specific article. See <https://www.usitc.gov/tata/hts/bychapter/index.htm>. On the other hand, products manufactured in Cambodia are not generally subject to an import tariff in the United States. Pursuant to the U.S. Generalized System of Preferences, various products manufactured in countries deemed by the U.S. Executive Branch as Least Developed Beneficiary Developing Countries receive exemptions from import tariffs for various baskets of goods, even though such countries have not entered into a reciprocal free trade agreement with the U.S. On 30 June 2016, the Office of the U.S. Trade Representative announced a modification of the countries and products subject to the Generalized System of Preferences, which would include handbags and luggage manufactured in Cambodia. See <https://kh.usembassy.gov/duty-free-access-travel-goods-made-cambodia/> (last accessed 29 May 2017). With that said, the Generalized System of Preferences program expired on 31 December 2017; accordingly, all eligible goods to the U.S. from all beneficiary countries and territories under the program including Cambodia are subject to non-preferential duties from 1 January 2018. The Generalized System of Preferences program has been renewed by the U.S. Congress as a normal practice – in 1993, 1994, 1996, 1997, 1998, 1999, 2002, 2011 and 2015 – and when such a renewal occurred, it would have retrospective effect, meaning that products eligible under the program would get the benefits for the lapse period and importers of eligible goods may make duty refund requests to the U.S. Customs and Border Protection for import duties paid during the lapse period. As of the date of this prospectus, the U.S. Congress has not re-authorized its renewal of the Generalized System of Preferences program. U.S. House Ways and Means Committee Chairman Kevin Brady advised that the program will be a priority for congressional passage for renewal in early 2018. It is expected that any renewal will be retroactive to 1 January 2018, therefore if renewed, refunds of duties paid would be issued by U.S. Customs. See <http://tacustoms.com/general-system-of-preferences-gsp-to-expire-on-december-31-2017/> (last accessed 3 January 2018).

REGULATORY OVERVIEW

The Group's products appear to fall within Chapter 39, applicable to plastic products, heading 3926.90.33. According to the current HTS, the general rate for articles under heading 3926.90.33 is 6.5%. Since the Group does not manufacture leather bags, the general rate of 8% for leather handbags, under Chapter 42, heading 4202, does not appear to be applicable. To the extent the Group manufactures luggage, suit cases, and other travel bags with man-made textile or plastic exteriors, such products fall within Chapter 42, headings 4202.12.81 and 4202.12.89, and are subject to a general rate of 17.6%. Note that embargoes, anti-dumping duties, countervailing duties, and other very specific matters administered by the U.S. Executive Branch are not contained in the HTS.

There are a number of provisions of U.S. trade law which may allow or result in modification of these duties. Sections 201 through 204 of the Trade Act of 1974 (19 U.S.C. §§ 2251-2254) provide the authority and procedures for the U.S. to take various actions to facilitate a domestic industry's adjustment to import competition. For example, if the International Trade Commission determines that an article is being imported in such increased quantities as to threaten domestic producers of similar products, the U.S. may, among other things, increase or impose a duty, or a tariff-rate quota. These laws are discussed further under "Anti-dumping Laws."

Anti-dumping Laws

There are a range of trade laws in the United States which address the issue of imports which may injure or threaten U.S. industries. Under anti-dumping laws (Title VII of the Tariff Act of 1930), the U.S. International Trade Commission ("USITC"), conducts investigations into whether dumping or subsidization is occurring in products brought into the U.S. market. A significant proportion of such investigations in recent years have been in relation to imports from China. See http://usitc.gov/secretary/fed_reg_notices/701_731/701_526_notice11122014sgl.pdf (example of anti-dumping investigation for imports from China).

Whether an item is being dumped or not is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer's sales price in its home market, or at a price which is lower than the cost of production. Subsidization occurs when a government provides countervailable financial assistance to benefit, production, manufacture and/or export of a good. There is first an assessment made by the Commerce Department that dumping or subsidization is occurring, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to U.S. industry. If such a threat is found, Commerce will issue an anti-dumping duty and/or countervailing duty order. When such an order is imposed, U.S. Customs and Border Protection is instructed to assess special duties on products subject to the order at the time of their import.

REGULATORY OVERVIEW

After an order has been issued, there is an automatic “sunset” review, pursuant to the Uruguay Round Agreement Act, approved in late 1994, no later than five years after the order is issued, which is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidization investigations, there is a special China safeguards investigation which may also be conducted by USITC. Under this safeguard law, the Commission determines whether articles from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the Commission makes an affirmative determination, it proposes a remedy. The Commission sends its report to the President and the U.S. Trade Representative. The President makes the final remedy decision.

International Anti-Bribery Laws and the Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act (“**FCPA**”) is a U.S. statute that prohibits U.S. companies and individuals (anywhere in the world) from offering, authorizing, promising, directing, or providing anything of value, to any non-U.S. government official, political party, party official, or candidate for foreign political office, for the purpose of influencing the non-U.S. official or party to assist the company in obtaining or retaining business or securing an improper business advantage. Individuals and companies may also be penalized if they order, authorize, or assist someone else to violate the anti-bribery provisions or if they conspire to violate those provisions. The U.S. government also asserts jurisdiction over foreign entities and individuals who take any act in furtherance of an FCPA violation while in the territory of the United States.

The FCPA also contains provisions that regulate the accounting of public companies (those with securities registered in the United States or that file reports with the Securities and Exchange Commission). These provisions do not appear relevant in this situation.

FCPA Penalties

Under the anti-bribery provisions of the FCPA, any individual who willfully violates the FCPA may be liable for up to US\$16,000 in civil penalties and up to US\$250,000 in criminal fines (or twice the gross gain resulting from the offense, whichever is greater), per each FCPA violation. The individual also may be imprisoned for up to five years, and the FCPA prohibits companies from paying the fines or penalties of their employees. Companies may be liable for civil penalties up to US\$16,000, and criminal fines up to US\$2 million, per each FCPA violation. In addition, an FCPA violation could result in other adverse consequences such as investigations by the U.S. Department of Justice (“**DOJ**”), suspension or debarment from U.S. government contracts, revocation or suspension of export license privileges, shareholder lawsuits, disgorgement, and long-term damage to the company’s and individual’s reputation.

REGULATORY OVERVIEW

FCPA Provisions and What They Mean

- **The FCPA prohibits payments or the offer of payments.** A payment need not be completed for liability to attach under the FCPA. The mere offer or promise of a payment with corrupt intent can lead to a violation of the statute.
- **The FCPA prohibits payment of money or anything of value.** The FCPA extends to payments of anything of value-not just cash. There is no minimum threshold or materiality requirement for corrupt payments.
- **The FCPA prohibits both direct and indirect payments.** In addition to direct payments to foreign government officials, indirect payments through an agent, partner, consultant, contractor, or any other third party may also give rise to liability. The FCPA prohibits payments to any person while “knowing” that any part of the proceeds will be provided to or otherwise used to influence the acts of a non-U.S. official. Further, willfully ignoring FCPA warning signs in an attempt to avoid gaining actual knowledge of a violation is not a valid defense. Similarly, any argument that bribes or improper payments are part of the business culture in a particular country or industry is not a valid defense.
- **The FCPA broadly defines “foreign officials”.** Foreign officials are those officials who act as an elected official of a foreign government, act as an officer or employee of any government department, act as an employee, officer, or director of a state-owned or quasi-governmental enterprise, or act in an official capacity for or on behalf of a foreign government – even if that person is not employed by the government (e.g., a government consultant). Employees of state-owned enterprises or government-controlled entities, as well as officials from public international organizations, also qualify as foreign officials.
- **Corrupt intent under the FCPA does not require quid pro quo agreement.** The arrangement need not be of a “quid pro quo” nature to be corrupt. Any attempt to favorably influence foreign officials, even if that simply includes purchasing their good will, may be considered securing an improper advantage.
- **Exceptions to the FCPA for “facilitating payments”.** The FCPA permits payments to foreign officials where the purpose of the payment is to expedite a “routine government action.” Routine government action refers to only those actions that are “ordinarily and commonly performed” by government officials. These payments cannot be made to influence any discretionary decision by an official and they must be allowed under local laws. This is a *very narrow exception*.
- **Exceptions for “Reasonable and Bona Fide Expenses”.** The FCPA permits payments to foreign officials for reasonable and bona fide expenses directly related to a promotion, demonstration, or explanation of a company’s products and services. This exception is also narrow and great care must be taken if a company intends to rely on it.

REGULATORY OVERVIEW

Laws Relating to Intellectual Properties

Trademarks law in the U.S. is governed by both state and federal law and the main federal statute is the Lanham Act. A trademark includes any word, name, symbol, slogan or device (such as design), or any combination of these, used to identify goods or services and to distinguish them from those manufacture, sold or serviced by others. The remedies for trademark infringement can include injunctions, lost profits and damages.

Patent law in the U.S. is governed exclusively by federal law, namely the Patent Act, which secures for inventors an exclusive right to their discoveries. Types of patents recognized under U.S. law include utility patents, design patents and plant patents. A patent is essentially a limited monopoly whereby the patent holder is granted the exclusive right to make, use and sell the patented innovation for a limited period of time.

Competition and Unfair Trade Practice Laws

The United States has a variety of federal statutes which are designed to promote fair and open competition by prohibiting unfair, restrictive or collusive business practices. These statutes include the Sherman Antitrust Act, 15 U.S.C. § 1 et seq., as amended, the Clayton Act, 15 U.S.C. § 12 et seq., as amended, the Federal Trade Commission Act, 15 U.S.C. § 45 et seq., as amended, and the Robinson-Patman Act, 15 U.S.C. § 13a et seq., as amended. These statutes prohibit, among other things, agreements or arrangements in restraint of trade, unfair or deceptive trade practices and, in certain situations, unfair or discriminatory pricing practices. They may be enforced by the Department of Justice, the Federal Trade Commission (FTC) and private litigants. In addition, most states have similar statutes which likewise prohibit arrangements in restraint of trade, unfair or deceptive practices and unfair or discriminatory pricing practices. These state statutes are enforced by State Attorneys General and other state regulators, as well as private litigants.

With regard to the Group's products, the various textile acts and regulations enforced by the FTC do not generally apply to handbags. However, the FTC's regulatory guidance concerning statements about leather apply generally since they regulate business practices, in connection with misidentification of man-made materials, that the FTC considers deceptive. See 16 C.F.R. Part 24.

HISTORY AND DEVELOPMENT

INTRODUCTION

Our Company was incorporated in the Cayman Islands with limited liability on 29 May 2017. Through the Reorganisation, our Company has become the ultimate holding company of our subsidiaries through an intermediate holding company, Wah Sun BVI.

Our history can be traced back to 1989, when Mr. Ma Hing Man and Ms. Ma Lan Chu started our handbag manufacturing and trading business in Hong Kong through subscribing new shares and acquiring the then existing subscriber shares of Wah Sun HK after its incorporation. At that time, there was an understanding between five members of the Ma Family, namely, Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Mr. Ma Hing Man, that Mr. Ma Hing Man and Ms. Ma Lan Chu would together hold all the shares in Wah Sun HK for all of those five members equally. Since then, Wah Sun HK has been actively engaged in the handbag manufacturing and trading business. After a series of restructuring actions to rationalise the shareholdings of the Ma Family, other members of the Ma Family, namely Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, also became the registered shareholders of Wah Sun HK in 2013. For the background of members of the Ma Family, see “Directors, Senior Management and Employees – Directors – Executive Directors”.

Due to the geographical advantages of Dongguan of the Guangdong Province, the PRC, convenient traffic between Dongguan and Hong Kong, and abundant labour resources in Dongguan, our Group has decided to expand its business to the Guangdong Province. In 1994, Dongguan Quickmind, being our operating subsidiary in the PRC, was established by Wah Sun HK to principally engage in handbag manufacturing and sales. For the purpose of providing customised services to certain major customers, our another operating subsidiary, Union Gold, was incorporated in Hong Kong in 2012 to mainly engage in the handbag trading business.

To facilitate the growth of our Group in 2012, Wah Sun HK decided to invest in a new production plant in Cambodia where costs of labour and land were comparatively low. Wah Sun Cambodia was established in Cambodia in 2013 as our production base to focus primarily on handbag manufacturing business.

BUSINESS DEVELOPMENT MILESTONE

The following events are key business milestones of our Group since its establishment:

Year	Event
1989	Establishment of Wah Sun HK and our Hong Kong showroom
1994	Establishment of Dongguan Quickmind
1998	Establishment of our Dongguan Factory

HISTORY AND DEVELOPMENT

2010	Started to manufacture handbags for our largest customer for FY2016 and FY2017 and second largest customer for FY2015
2011	Started to manufacture handbags for our third largest customer during Track Record Period
2012	Establishment of Union Gold
2013	Establishment of Wah Sun Cambodia
2013	Established business relationship with our largest customer for FY2015 and second largest customer for FY2016 and FY2017
2013	Launch of our production in our Cambodia Factory
2015	Changed our strategies to attract more fast fashion customers

CORPORATE DEVELOPMENT

The following summarises the corporate development of the major operating entities of our Group prior to the Reorganisation.

Wah Sun HK

Wah Sun HK was incorporated in Hong Kong with limited liability on 28 February 1989 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and has commenced business since its incorporation to principally engage in handbag manufacturing and trading business.

On the date of incorporation, two independent subscribers subscribed one share each at par in Wah Sun HK.

On 10 April 1989, Wah Sun HK allotted 4,999 shares at par to each of Mr. Ma Hing Man and Ms. Ma Lan Chu. There was an understanding between the five members of the Ma Family, namely Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Mr. Ma Hing Man, that Mr. Ma Hing Man and Ms. Ma Lan Chu would together hold all the shares in Wah Sun HK for all of those five members equally.

On 11 May 1989, the two independent subscribers transferred the two subscriber shares in Wah Sun HK at par to Mr. Ma Hing Man and Ms. Ma Lan Chu, respectively. Upon completion of such transfers, the entire issued share capital of Wah Sun HK was owned as to 50% by Mr. Ma Hing Man and 50% by Ms. Ma Lan Chu.

In order to facilitate the issue of cross-border licence plates for the motor vehicles owned by Wah Sun HK, on 16 November 2011 and 2 December 2011, Mr. Ma Hing Man and Ms. Ma Lan Chu each transferred the legal, but not beneficial, ownership of a total of two shares in Wah Sun HK to Mr. Ma Hiu Fai and Mr. Ma Wing Yin, respectively. On 16 November 2011 and 2 December 2011, respectively, the same days of the said transfers, Mr. Ma Hiu Fai

HISTORY AND DEVELOPMENT

declared that he held the two shares in Wah Sun HK that were transferred to him by Mr. Ma Hing Man and Ms. Ma Lan Chu as nominee for Mr. Ma Yum Chee, and Mr. Ma Wing Yin declared that he held the two shares in Wah Sun HK that were transferred to him by Mr. Ma Hing Man and Ms. Ma Lan Chu as nominee for Ms. Ma Lan Heung.

Upon completion of such transfers of legal ownership, the legal and beneficial ownership of all the issued shares in Wah Sun HK as at 2 December 2011 was as follows:

Name of registered shareholder	Number of shares	Percentage of shareholding	Legal owner	Beneficial owner
Ms. Ma Lan Chu	4,998	49.98%	Ms. Ma Lan Chu	Ms. Ma Lan Chu
Mr. Ma Hing Man	4,998	49.98%	Mr. Ma Hing Man	Mr. Ma Hing Man
Mr. Ma Hiu Fai	2	0.02%	Mr. Ma Hiu Fai	Mr. Ma Yum Chee
Mr. Ma Wing Yin	2	0.02%	Mr. Ma Wing Yin	Ms. Ma Lan Heung
Total	10,000	100%	–	–

On 3 January 2013, Ms. Ma Lan Chu transferred 1,998 shares and 1,000 shares in Wah Sun HK at par to Ms. Ma Lan Heung and Mr. Ma Yum Chee, respectively; and Mr. Ma Hing Man transferred 998 shares and 2,000 shares in Wah Sun HK at par to Mr. Ma Yum Chee and Mr. Ma Hing Ming, respectively. Upon completion of such transfers, the legal and beneficial ownership of all the issued shares in Wah Sun HK was as follows:

Name of registered shareholder	Number of shares	Percentage of shareholding	Legal owner	Beneficial owner
Ms. Ma Lan Heung	1,998	19.98%	Ms. Ma Lan Heung	Ms. Ma Lan Heung
Mr. Ma Wing Yin	2	0.02%	Mr. Ma Wing Yin	Ms. Ma Lan Heung
Mr. Ma Yum Chee	1,998	19.98%	Mr. Ma Yum Chee	Mr. Ma Yum Chee
Mr. Ma Hiu Fai	2	0.02%	Mr. Ma Hiu Fai	Mr. Ma Yum Chee
Ms. Ma Lan Chu	2,000	20%	Ms. Ma Lan Chu	Ms. Ma Lan Chu
Mr. Ma Hing Man	2,000	20%	Mr. Ma Hing Man	Mr. Ma Hing Man
Mr. Ma Hing Ming	2,000	20%	Mr. Ma Hing Ming	Mr. Ma Hing Ming
Total	10,000	100%	–	–

As advised by Ahern Lawyers, our legal advisers as to Hong Kong law in respect of our trust arrangements, all the shares of Wah Sun HK have been in the beneficial ownership of members of the Ma Family in equal shares since 3 January 2013 until the transfer of all the issued shares in Wah Sun HK from the five members of the Ma Family to Wah Sun BVI as part of the Reorganisation.

Union Gold

Union Gold was incorporated in Hong Kong with limited liability on 1 April 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and has commenced business since its incorporation to principally engage in handbag trading business.

HISTORY AND DEVELOPMENT

On the date of incorporation, an independent subscriber subscribed to one share at par in Union Gold.

On 17 July 2012, Ms. Wu Yu Ling, the spouse of Mr. Ma Hing Ming, acquired the one subscriber's share in Union Gold at par from the independent subscriber and was allotted a further 19 shares in Union Gold at par. On that same day, Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Ms. Dong Yan were each also allotted 20 shares in Union Gold at par. On that same day, Ms. Dong Yan declared that she held the 20 shares in Union Gold that were allotted to her on trust as nominee for Mr. Ma Hing Man, and Ms. Wu Yu Ling likewise declared that she held the 20 shares in Union Gold that were allotted to her on trust as nominee for Mr. Ma Hing Ming.

Upon completion of the above transfer and allotment, the legal and beneficial ownership of all the issued shares in Union Gold as at 17 July 2012 was as follows:

Name of registered shareholder	Number of shares	Percentage of shareholding	Legal owner	Beneficial owner
Ms. Wu Yu Ling	20	20%	Ms. Wu Yu Ling	Mr. Ma Hing Ming
Ms. Ma Lan Chu	20	20%	Ms. Ma Lan Chu	Ms. Ma Lan Chu
Ms. Ma Lan Heung	20	20%	Ms. Ma Lan Heung	Ms. Ma Lan Heung
Mr. Ma Yum Chee	20	20%	Mr. Ma Yum Chee	Mr. Ma Yum Chee
Ms. Dong Yan	20	20%	Ms. Dong Yan	Mr. Ma Hing Man
Total	100	100%	–	–

As advised by Ahern Lawyers, our legal advisers as to Hong Kong law in respect of our trust arrangements, all the shares in Union Gold have been in the beneficial ownership of five members of the Ma Family in equal shares, since 17 July 2012 until the transfer of all the issued shares of Union Gold to Wah Sun BVI as part of the Reorganisation.

Wah Sun Cambodia

Wah Sun Cambodia was incorporated in Cambodia with limited liability on 31 January 2013 and has commenced business since its incorporation to principally engage in handbag manufacturing and trading business.

At the time of incorporation, Wah Sun Cambodia had a registered capital of USD1,000,000.00 divided into 1,000 shares of USD1,000.00 each. On the date of its incorporation, 1,000 shares were allotted by Wah Sun Cambodia with 600 shares issued to Ms. Dong Yan, and 200 shares issued to each of Ms. Zhang Ping (“**Ms. Zhang**”) and Mr. Choi Chang Keun (“**Mr. Choi**”), both of whom are independent third parties. On the same day, Ms. Dong Yan, Ms. Zhang and Mr. Choi each executed a declaration of trust governed by Hong Kong law declaring that they held the shares in Wah Sun Cambodia on trust as nominees for Wah Sun HK (the “**31 January 2013 DTs**”). This was a result of the decision of Wah Sun HK to invest in a new production plant in Cambodia where costs of labour and land were comparatively low. Ms. Zhang was the owner of one of our sub-contractors during the Track Record Period.

HISTORY AND DEVELOPMENT

Ms. Dong Yan is a director of Wah Sun Cambodia, who was then tasked with establishing the plant in Cambodia. Her Cambodian citizenship allowed her to own land in Cambodia, in particular the land on which our Cambodia Factory is now situated, which she acquired and leased to Wah Sun Cambodia. For details of the lease agreement entered into between Wah Sun Cambodia and Ms. Dong Yan in respect of such land, please see “Business – Leased Land” and “Connected Transaction – Fully Exempt Continuing Connected Transactions – Land Lease Agreement”. Other than the set-up of the said plant, since her appointment as a director of Wah Sun Cambodia, Ms. Dong has assumed a non-executive role and has not actively participated in overseeing the operation and management of Wah Sun Cambodia. The management and ultimate decision-making process of Wah Sun Cambodia have all along been vested with the members of the Ma Family, with Mr. Ma Hing Man being the general manager, Ms. Ma Lan Heung and Mr. Ma Yum Chee each being the production manager, Ms. Ma Lan Chu being the financial manager and Mr. Ma Hing Ming being the marketing manager of Wah Sun Cambodia since its incorporation. As Ms. Dong has not assumed an active management role in Wah Sun Cambodia or in the Group, despite her directorship in Wah Sun Cambodia and the fact that Wah Sun Cambodia is a key operating subsidiary of the Group, the Company is of the view that Ms. Dong is not a member of the senior management of the Group.

Our Directors confirm that Ms. Zhang and Mr. Choi were two business associates of Wah Sun HK who had indicated that they would be interested in exploring business opportunities in Cambodia together with Wah Sun HK at that time. The original plan was that Ms. Zhang and Mr. Choi would travel frequently to Cambodia and provide daily management support to Wah Sun Cambodia. Depending on the level of their commitment and contribution, Wah Sun HK would consider allotting to them beneficially some equity in Wah Sun Cambodia notwithstanding that Wah Sun HK had provided all the Wah Sun Cambodia share and working capital including all of the funds for establishing the Cambodia Factory. Ms. Zhang and Mr. Choi did not, in the end, commit themselves to Wah Sun Cambodia as expected. In 2014, at the request of Wah Sun HK, Ms. Zhang and Mr. Choi agreed to transfer the legal ownership of their shares to persons nominated by Wah Sun HK as beneficiaries pursuant to the declarations of trust executed by them previously.

Although there was no intention to alter the beneficial ownership of the shares in Wah Sun Cambodia, the Ma Family wanted to have at least two members of the Ma Family who were then the ultimate beneficial owners of Wah Sun HK as registered shareholders of Wah Sun Cambodia.

Ms. Dong Yan, Ms. Ma Lan Chu and Mr. Ma Hing Ming each executed a declaration of trust dated 8 January 2015 (“**8 January 2015 DTs**”), declaring that they held the shares in Wah Sun Cambodia on trust as nominees for Wah Sun HK.

The transfers of the shares of Wah Sun Cambodia to Mr. Ma Hing Ming and Ms. Ma Lan Chu were verbally agreed in 2014. Such agreement which Ms. Ma Lan Chu and Mr. Ma Hing Ming would acquire and be transferred with the legal ownership of the shares of Wah Sun Cambodia from Ms. Dong Yan, Ms. Zhang and Mr. Choi, respectively, was discussed in the board meeting of Wah Sun Cambodia. Following that board meeting, application for approval

HISTORY AND DEVELOPMENT

of those share transfers was made to the Council for Development of Cambodia and approval was obtained on 8 January 2015. Due to the administrative procedures, the registration of the share transfers with the Ministry of Commerce of Cambodia did not take place until 23 June 2016. As advised by Ahern Lawyers, the delay in transferring the legal title of Wah Sun Cambodia from Ms. Dong Yan, Ms. Zhang and Mr. Choi to Mr. Ma Hing Ming and Ms. Ma Lan Chu is irrelevant as regards the validity of the 8 January 2015 DTs for the reasons that the interest acquired by Ms. Ma Lan Chu and Mr. Ma Hing Ming under the agreement referred to above entitled them at that time to declare that they would only acquire the legal or nominal interest in the shares with the beneficial interest remaining with Wah Sun HK and the 8 January 2015 DTs confirmed that ownership position.

Effective from 23 June 2016, the then shareholders of Wah Sun Cambodia, being Ms. Dong Yan with 400 shares and each of Ms. Zhang and Mr. Choi with 200 shares, transferred the total number of 800 shares in the share capital of Wah Sun Cambodia to Ms. Ma Lan Chu and Mr. Ma Hing Ming. Upon completion of such transfers, Wah Sun Cambodia was owned by Ms. Dong Yan holding 200 shares, Ms. Ma Lan Chu holding 400 shares and Mr. Ma Hing Ming holding 400 shares in the share capital of Wah Sun Cambodia.

As advised by Ahern Lawyers, our legal advisers as to Hong Kong law in respect of our trust arrangements, (i) the 31 January 2013 DTs and the 8 January 2015 DTs did not effect a change of beneficial ownership of the shares in Wah Sun Cambodia as Wah Sun HK was since 31 January 2013 the beneficial owner of all the shares in Wah Sun Cambodia; (ii) the share transfers set out in the preceding paragraph may be properly characterised as a change of trustee which did not change the beneficial ownership; (iii) the 31 January 2013 DTs and the 8 January 2015 DTs are valid and enforceable under Hong Kong law; (iv) the interest the trustees under the 8 January 2015 DTs, namely Ms. Dong Yan, Ms. Ma Lan Chu and Mr. Ma Hing Ming, acquired under the prior verbal agreement on the transfer of legal ownership of the shares of Wah Sun Cambodia among Ms. Zhang and Mr. Choi, Wah Sun HK and the trustees entitled the trustees at that time to declare that they would only acquire the legal interest in the shares with the beneficial interest remaining with Wah Sun HK. The 8 January 2015 DTs validly confirmed that ownership position; (v) the beneficiary i.e. Wah Sun HK could under the 31 January 2013 DTs and the 8 January 2015 DTs enforce their terms and obtain orders from the relevant Hong Kong Courts compelling the relevant trustees to transfer the shares to the beneficiary; and (vi) Wah Sun HK, as a matter of Hong Kong law, became the beneficial owner of 100% of the shares in Wah Sun Cambodia on its date of incorporation i.e. 31 January 2013 and continued to be so until Wah Sun Cambodia was transferred to Wah Sun BVI as part of the Reorganisation.

On the basis that (i) the trustees of the 31 January 2013 DTs and 8 January 2015 DTs in relation to issued shares of Wah Sun Cambodia, other than Ms. Dong Yan, were Hong Kong residents and the beneficiary of a Hong Kong company; (ii) the trust documents were signed in Hong Kong; (iii) it was always the intention of all parties to such declarations of trust that they be governed by Hong Kong law and be subject to the jurisdiction of the Hong Kong Courts, Hong Kong is the jurisdiction with which the 31 January 2013 DTs and 8 January 2015 DTs are most closely connected. Based on the above reasons, Ahern Lawyers advise that Hong

HISTORY AND DEVELOPMENT

Kong law governs the validity, construction, effect, administration and enforceability of each of the 31 January 2013 DTs and 8 January 2015 DTs. As advised by the Cambodia Legal Advisers, notwithstanding that Cambodian laws do not recognize the concept of trusts, there is no provisions of Cambodian law that explicitly state that the use of trusts, irrespective of the governing law, with respect to share ownership of Cambodia companies is a violation of Cambodian law. Further, the Cambodia Legal Advisers is not aware of any proceeding in a Cambodian court in which the enforceability of an offshore trust arrangement over share ownership in a Cambodian company has been tested. As advised by Ahern Lawyers, notwithstanding that Cambodian laws do not recognize the concept of trusts, a trust may be created, exist and be enforceable in respect of assets located in a jurisdiction, the law of which does not recognize trusts in any form under Hong Kong laws; the fact that the subject matter of the 31 January 2013 DTs and 8 January 2015 DTs was Cambodian moveable property (and not Hong Kong property) does not affect the conclusion that Hong Kong law governs the enforceability of the trust documents of the trust arrangements in relation to Wah Sun Cambodia.

Dongguan Quickmind

Dongguan Quickmind, formerly known as Dong Guan Huasing Bag Manufactory Co. Ltd.* 東莞華新手袋廠有限公司, was established in the PRC as a wholly foreign-owned enterprise with limited liability on 15 March 1994 by Wah Sun HK with a registered capital of HK\$5.5 million which was 100% owned and fully-contributed by Wah Sun HK and has commenced business since its incorporation to principally engage in handbag manufacturing and trading.

The registered capital of Dongguan Quickmind was increased to HK\$6.5 million, HK\$8.5 million and HK\$9.86 million on 25 December 1995, 30 August 2001 and 24 June 2002, respectively.

On 7 August 2009, to increase the involvement of the second generation of the Ma Family in the business of Dongguan Quickmind, Wah Sun HK completed the transfer of HK\$4.93 million of registered capital of Dongguan Quickmind to each of Mr. Ma Wing Yin, the son of Mr. Ma Hing Man, and Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee, at a consideration of HK\$4.93 million for each of the said transfers. Upon completion of such transfers, the registered capital of Dongguan Quickmind was held by Mr. Ma Wing Yin and Mr. Ma Hiu Fai in equal shares. Since then, Mr. Ma Wing Yin and Mr. Ma Hiu Fai have been acting as management trainees, responsible for receiving training from the Ma Family in addition to performing duties in the various departments of Dongguan Quickmind such as production and quality control, sales and customer relationships, financial control etc., and monitoring progress of performance and learning staff functions and line, management viewpoints, company policies of Dongguan Quickmind in order for them to gain working experience and knowledge under the direction of the Ma Family. They were appointed as directors of Dongguan Quickmind at the same time when they first became the registered shareholders of Dongguan Quickmind in August 2009 and have remained as directors of Dongguan Quickmind since then.

HISTORY AND DEVELOPMENT

On 17 July 2009 when the equity transfer agreements for the above transfers were executed, Mr. Ma Hiu Fai and Mr. Ma Wing Yin executed declarations of trusts in favour of Wah Sun HK, confirming that Wah Sun HK was the sole beneficial owner of the equity interests of Dongguan Quickmind and held such equity interest on trust as nominees of Wah Sun HK (the “**July 2009 DTs**”).

On 23 November 2010, the registered capital of Dongguan Quickmind was increased by HK\$1 million to HK\$10.86 million, by Mr. Ma Wing Yin injecting HK\$1 million into the registered capital, although these payments were financed by Wah Sun HK. Upon completion of such increase in registered capital, the registered capital of Dongguan Quickmind was held as to 54.60% and 45.40% by Mr. Ma Wing Yin and Mr. Ma Hiu Fai, respectively.

On 16 December 2015, the registered capital of Dongguan Quickmind was increased by HK\$3 million to HK\$13.86 million, by Mr. Ma Wing Yin injecting HK\$3 million into the registered capital, although these payments were financed by Wah Sun HK. Upon completion of such increase in registered capital, the registered capital of Dongguan Quickmind was held as to 64.43% and 35.57% by Mr. Ma Wing Yin and Mr. Ma Hiu Fai, respectively. The business scope of Dongguan Quickmind was also amended to production and sales of handbags (except for macro-control industry where the nation, politics and limitations are involved; to be handled in accordance with the relevant regulations where national special regulations are involved); setting up of research and development institutions; and research and development of new models of handbag samples on the same day.

On the same day that the board of directors of Dongguan Quickmind approved the said increase of registered capital from HK\$9.86 million to HK\$10.86 million and from HK\$10.86 million to HK\$13.86 million, namely on 21 October 2010 and 13 October 2015, Mr. Ma Wing Yin executed supplementary declarations of trust declaring that these additional registered capital were also held by him on trust as nominee for Wah Sun HK (the “**October 2010 and 2015 DTs**”).

As advised by Ahern Lawyers, our legal advisers as to Hong Kong law in respect of our trust arrangements, (i) the July 2009 DTs and the October 2010 and 2015 DTs did not effect a change of beneficial ownership of the equity interests in Dongguan Quickmind as Wah Sun HK was since 15 March 1994, the date of incorporation of Dongguan Quickmind the beneficial owner of all the equity interests in Dongguan Quickmind; (ii) the July 2009 DTs, and the October 2010 and 2015 DTs are valid and enforceable under Hong Kong law; (iii) the beneficiary i.e. Wah Sun HK could under the July 2009 DTs, and the October 2010 and 2015 DTs enforce their terms and obtain orders from the relevant Hong Kong Courts compelling the trustees to transfer the shares to the beneficiary; and (iv) all of the equity interests in Dongguan Quickmind, as a matter of Hong Kong law, have been in the beneficial ownership of Wah Sun HK since the incorporation of Dongguan Quickmind until Dongguan Quickmind was transferred to Union Gold on 16 June 2017 as part of the Reorganisation. As advised by our PRC legal advisers, the 31 January 2013 DTs and the 8 January 2015 DTs are valid and enforceable under PRC law.

HISTORY AND DEVELOPMENT

REORGANISATION

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation, which involves the following steps:

Incorporation of Wah Sun BVI

On 25 May 2017, Wah Sun BVI was incorporated in the BVI with limited liability as an intermediate holding company of our Group. As at the date of its incorporation, Wah Sun BVI was authorised to issue up to a maximum of 50,000 ordinary shares of US\$1.00 each. Upon incorporation, Wah Sun BVI allotted and issued one fully paid share of US\$1.00 to Wah Sun Holdings for cash at par. Immediately upon completion of the aforesaid allotment and issue of share, Wah Sun BVI became a direct wholly-owned subsidiary of Wah Sun Holdings.

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 29 May 2017, having an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, one nil paid Share was allotted and issued to a third party initial subscriber who then transferred the said nil paid Share to Wah Sun Holdings, a company incorporated in the BVI with limited liability on the same day. Wah Sun Holdings was then owned as to equal shares by each of Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee, Mr. Ma Hing Man and Mr. Ma Hing Ming.

Transfer of legal ownership of the shares in Wah Sun HK

On 5 July 2017, each of Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee, and Mr. Ma Wing Yin, the son of Mr. Ma Hing Man, as the registered shareholders, transferred the legal ownership of two ordinary shares, together representing 0.04% of all the issued shares of Wah Sun HK, to Mr. Ma Yum Chee and Ms. Ma Lan Heung, respectively, at nil consideration (as there was no change in beneficial ownership), as instructed by Mr. Ma Yum Chee and Ms. Ma Lan Heung, respectively.

Transfers of Union Gold and Wah Sun HK to Wah Sun BVI

On 9 June 2017, 20 ordinary shares from each of Ms. Wu Yu Ling (the spouse of and as instructed by the beneficial owner, Mr. Ma Hing Ming), Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Ms. Dong Yan (as instructed by the beneficial owner, Mr. Ma Hing Man), together representing all the issued shares of Union Gold, were transferred to Wah Sun BVI in consideration of Wah Sun BVI issuing and allotting five shares of US\$1.00 each to Wah Sun Holdings (as directed by each of the transferors) on 9 June 2017.

HISTORY AND DEVELOPMENT

On 11 July 2017, 2,000 ordinary shares from each of Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, together representing all the issued shares of Wah Sun HK, were transferred to Wah Sun BVI in consideration of Wah Sun BVI issuing and allotting 20 shares of US\$1.00 each to Wah Sun Holdings (as directed by each of the transferors) on 11 July 2017.

Transfer of registered capital in Dongguan Quickmind

On 16 June 2017, Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee, and Mr. Ma Wing Yin, the son of Mr. Ma Hing Man, both holding the equity interests in Dongguan Quickmind on trust for Wah Sun HK transferred HK\$4,930,000 and HK\$8,930,000 registered capital of Dongguan Quickmind, respectively, to Union Gold, together representing the entire registered capital of Dongguan Quickmind, at a total consideration of HK\$13,860,000, being the registered capital of Dongguan Quickmind at the time of the transfer, which was settled by way of Wah Sun BVI issuing and allotting 10 shares of US\$1.00 each to Wah Sun Holdings (as directed by each of the transferors) on 27 November 2017.

Transfer of Wah Sun Cambodia to Wah Sun BVI

On 8 September 2017, 400 shares of US\$1,000.00 each in Wah Sun Cambodia from each of Mr. Ma Hing Ming and Ms. Ma Lan Chu and 200 shares of US\$1,000.00 each in Wah Sun Cambodia from Ms. Dong Yan (all holding such shares on trust for Wah Sun HK), together representing the entire issued share capital of Wah Sun Cambodia, were transferred to Wah Sun BVI at a total consideration of US\$4,168,000, being the net asset value of the latest management accounts of Wah Sun Cambodia as at 30 April 2017, which was settled by way of Wah Sun BVI issuing and allotting 15 shares of US\$1.00 each to Wah Sun Holdings (as directed by each of the transferors) on 27 November 2017.

Share swap between Wah Sun Holdings and our Company

On 11 December 2017, Wah Sun Holdings (as transferor) transferred 51 shares of US\$1.00 in Wah Sun BVI, representing the entire issued share capital of Wah Sun BVI, to our Company, in consideration for which our Company (i) credited as fully paid the nil paid Share registered in the name of Wah Sun Holdings; and (ii) issued and allotted 9,999 Shares to Wah Sun Holdings, credited as fully paid. Immediately upon completion of the aforesaid transfer and allotment of Shares, Wah Sun BVI became a direct wholly-owned subsidiary of the Company.

Increase of our authorised share capital

On 2 January 2018, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of 4,962,000,000 additional Shares.

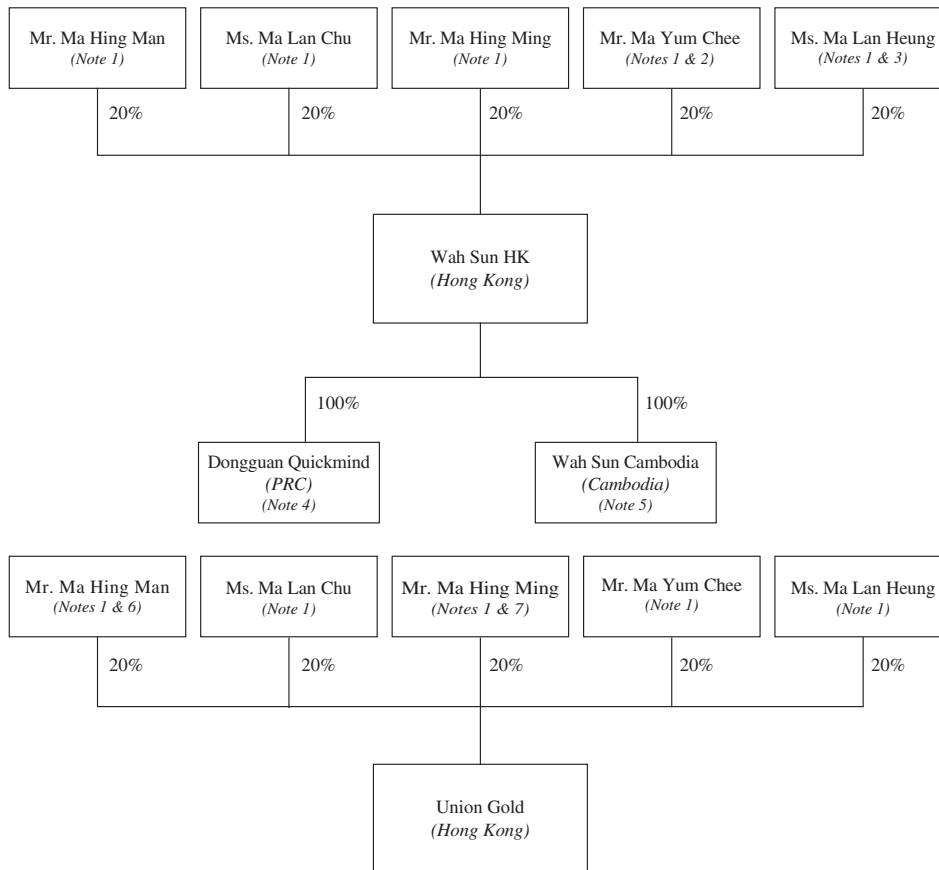
Our Directors consider that the Reorganisation has been properly and legally completed and settled, and confirm that the Reorganisation complies with all applicable laws and regulations.

HISTORY AND DEVELOPMENT

OUR GROUP STRUCTURE

Group Structure Prior to Reorganisation

The following diagram sets out the corporate structure of our Group prior to the Reorganisation:



HISTORY AND DEVELOPMENT

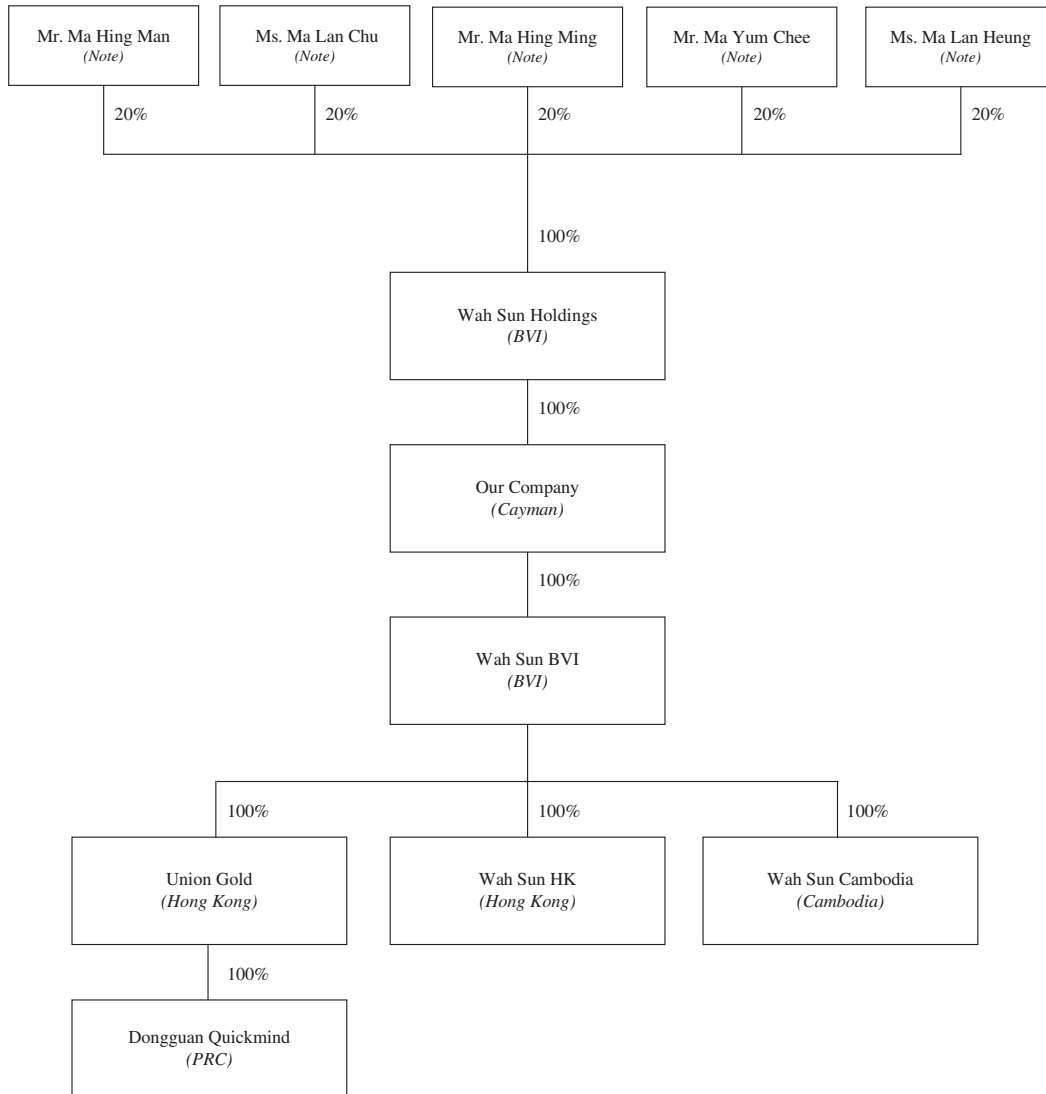
Notes:

1. Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung are siblings.
2. Prior to the Reorganisation, Mr. Ma Yum Chee was the beneficial owner of 20% of all the issued shares of Wah Sun HK. He legally and beneficially owned 19.98% of all the issued shares of Wah Sun HK. Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee and the legal owner of two ordinary shares, representing 0.02% of all the issued shares of Wah Sun HK, held the said shares on trust for Mr. Ma Yum Chee pursuant to a declaration of trust dated 16 November 2011 executed by Mr. Ma Hiu Fai in favour of Mr. Ma Yum Chee. Accordingly, Mr. Ma Yum Chee beneficially owned in aggregate 20% of all the issued shares of Wah Sun HK.
3. Prior to the Reorganisation, Ms. Ma Lan Heung was the beneficial owner of 20% of all the issued shares of Wah Sun HK. She legally and beneficially owned 19.98% of all the issued shares of Wah Sun HK. Mr. Ma Wing Yin, the son of Mr. Ma Hing Man and the legal owner of two ordinary shares, representing 0.02% of all the issued shares of Wah Sun HK, held the said shares on trust for Ms. Ma Lan Heung pursuant to a declaration of trust dated 2 December 2011 executed by Mr. Ma Wing Yin in favour of Ms. Ma Lan Heung. Accordingly, Ms. Ma Lan Heung beneficially owned in aggregate 20% of all the issued shares of Wah Sun HK.
4. Prior to the Reorganisation, Wah Sun HK was the beneficial owner of 100% of the registered capital in Dongguan Quickmind. Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee and the legal owner of HK\$4,930,000 registered capital in Dongguan Quickmind, held the said equity interests on trust for Wah Sun HK pursuant to a declaration of trust dated 17 July 2009 executed by Mr. Ma Hiu Fai in favour of Wah Sun HK. Mr. Ma Wing Yin, the son of Mr. Ma Hing Man and the legal owner of HK\$8,930,000 registered capital in Dongguan Quickmind, held the said equity interests on trust for Wah Sun HK pursuant to a declaration of trust dated 13 October 2015 executed by Mr. Ma Wing Yin in favour of Wah Sun HK. Accordingly, Wah Sun HK beneficially owned in aggregate 100% of the registered capital in Dongguan Quickmind.
5. Prior to the Reorganisation, Wah Sun HK was the beneficial owner of 100% of all the issued shares of Wah Sun Cambodia. Mr. Ma Hing Ming, the legal owner of 400 shares in Wah Sun Cambodia, held the said shares on trust for Wah Sun HK pursuant to a declaration of trust dated 8 January 2015 executed by Mr. Ma Hing Ming in favour of Wah Sun HK. Ms. Ma Lan Chu, the legal owner of 400 shares in Wah Sun Cambodia, held the said shares on trust for Wah Sun HK pursuant to a declaration of trust dated 8 January 2015 executed by Ms. Ma Lan Chu in favour of Wah Sun HK. Ms. Dong Yan, the legal owner of 200 shares in Wah Sun Cambodia, held the said shares on trust for Wah Sun HK pursuant to a declaration of trust dated 8 January 2015 executed by Ms. Dong Yan in favour of Wah Sun HK. Accordingly, Wah Sun HK beneficially owned in aggregate 100% of all the issued shares of Wah Sun Cambodia.
6. Prior to the Reorganisation, Ms. Dong Yan, the legal owner of 20 ordinary shares in Union Gold, held the said shares on trust for Mr. Ma Hing Man pursuant to a declaration of trust dated 17 July 2012 executed by Ms. Dong Yan in favour of Mr. Ma Hing Man. Accordingly, Mr. Ma Hing Man beneficially owned 20% of all the issued shares of Union Gold.
7. Prior to the Reorganisation, Ms. Wu Yu Ling, the spouse of Mr. Ma Hing Ming and the legal owner of 20 ordinary shares in Union Gold, held the said shares on trust for Mr. Ma Hing Ming pursuant to a declaration of trust dated 17 July 2012 executed by Ms. Wu Yu Ling in favour of Mr. Ma Hing Ming. Accordingly, Mr. Ma Hing Ming beneficially owned 20% of all the issued shares of Union Gold.

HISTORY AND DEVELOPMENT

Group Structure after Reorganisation

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but prior to completion of the Capitalisation Issue and Global Offering:

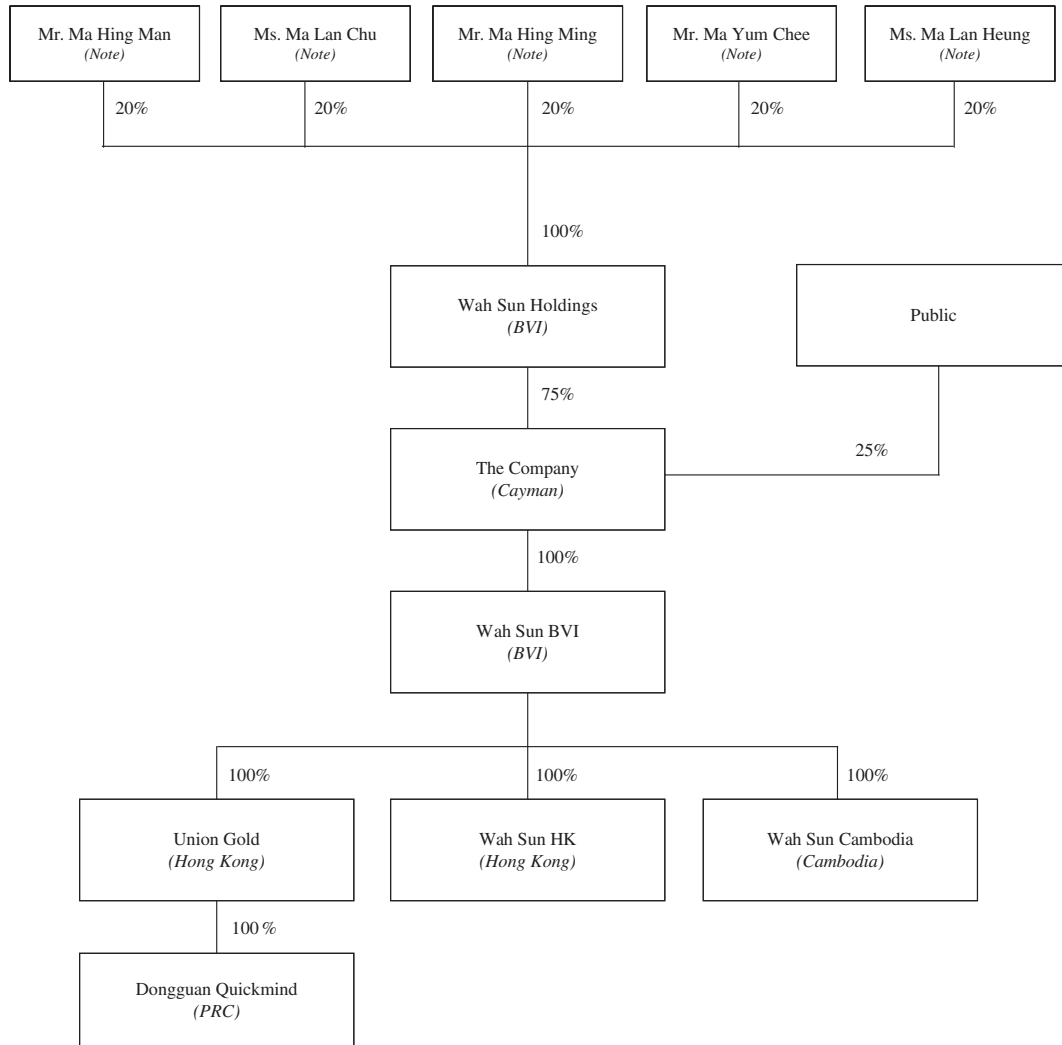


Note: Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung are siblings.

HISTORY AND DEVELOPMENT

Group Structure following Capitalisation Issue and Global Offering

The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):



Note: Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung are siblings.

HISTORY AND DEVELOPMENT

PRC GOVERNMENT APPROVALS

M&A Rules

On 8 August 2006, six PRC regulatory agencies, including MOFCOM, China Securities Regulatory Commission and SAFE jointly promulgated the Rules on the Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (which was subsequently amended by MOFCOM on 22 June 2009) (the “**M&A Rules**”) to regulate the mergers and acquisitions of non-foreign investment enterprises (“**domestic enterprises**”) by foreign investors, which became effective on 8 September 2006. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise or subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; or (ii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets or purchases the assets of a domestic enterprise and then invests such assets to establish a foreign invested enterprise (the “**Regulated Activities**”).

As advised by our PRC legal advisers, since Dongguan Quickmind was established before the date of the M&A Rules and has been a wholly foreign-owned enterprise since then, our Reorganisation steps, which are described in this section, did not involve any Regulated Activities, and therefore the M&A Rules are not applicable to our Reorganisation.

Foreign Investment Law and Record Filing Measures

Pursuant to the Law of PRC Foreign-Capital Enterprises 《中華人民共和國外資企業法》 (the “**Foreign Investment Law**”), which was adopted on 12 April 1986 and amended and effective on 31 October 2000, the establishment and subsequent changes of a wholly foreign-owned enterprise is subject to the approval by the authority in charge of commerce or foreign trade and investment and registration with the relevant administration for industry and commerce. The investor of the wholly foreign-owned enterprise must make payment or subscribe for the registered capital according to its articles of association.

On 3 September 2016, the Decision of the SCNPC on Revising Four Laws including the Law of the PRC on Wholly Foreign-owned Enterprises 《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》 (the “**Decision on Revision of Four Laws**”) was promulgated and took effect on 1 October 2016. The Decision on Revision of Four Laws revised the Foreign Investment Law, the Law of the PRC on Sino-Foreign Equity Joint Ventures 《中華人民共和國中外合資經營企業法》, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures 《中華人民共和國中外合作經營企業法》 and the Law of the PRC on the Protection of the Investments of Taiwan Compatriots 《中華人民共和國臺灣同胞投資保護法》, in which if the incorporation and change of foreign-invested enterprises and enterprises funded by Taiwan compatriots does not involve special access administrative measures prescribed by the government (the “**Negative List**”), the examination and approval thereof has been changed to the record-filing administration. The Negative List shall be published or approved by the State Council of the PRC.

HISTORY AND DEVELOPMENT

Pursuant to the Interim Administrative Measures for the Record-filing of the Incorporation 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》 (the “**Record Filing Measures**”) which was adopted by MOFCOM and effective on 8 October 2016, within the record-filing scope of the Record Filing Measures, the designated representatives or entrusted agents of foreign-invested enterprises shall fill in and submit an Application for Record-filing of the Change of Foreign-invested Enterprises (the “**Application for Change**”) and the relevant documents online within 30 days upon the occurrence of the change via the comprehensive administration system, and handle the record-filing procedures since 8 October 2016.

Pursuant to Announcement No. 22, 2016 《中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號》 published by National Development and Reform Commission and MOFCOM on 8 October 2016, with the approval of the State Council, the Negative List shall be applied according to the provisions on restricted and prohibited categories specified in The Catalogue for the Guidance of Foreign Investment Industries (2015 Revision) 《外商投資產業指導目錄(2015年修訂)》 (the “**Catalogue**”), and equity or senior management related requirements are imposed on encouraged category therein.

As advised by our PRC legal advisers, since the current business operation of Dongguan Quickmind, as the foreign-invested enterprise, does not fall within the scope of the Negative List, the Record Filing Measures shall apply and major changes of Dongguan Quickmind is subject to record-filing procedure under the Record Filing Measures.

SAFE Registration

Pursuant to the SAFE Circular No. 37, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. A “domestic individual resident” refers to a Chinese citizen who holds a Chinese domestic resident, military or armed police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest. “Control” refers to the rights to carry out the business operations of, or to gain proceeds from or to make decisions on behalf of, a special purpose vehicle by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, repurchase, convertible bonds, etc.

Pursuant to the SAFE Circular No. 13, foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment (hereinafter collectively referred to as “direct investment-related foreign exchange registration”) will be directly reviewed and handled by banks in accordance with SAFE Circular No. 13 and the Guidelines for Direct Investment-related Foreign Exchange Business (《直接投資外匯業務操作指引》) (which is the appendix to SAFE Circular No. 13), and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforementioned banks.

HISTORY AND DEVELOPMENT

As advised by our PRC legal advisers, since Ms. Ma Lan Heung, Mr. Ma Yum Chee, Ms. Ma Lan Chu, Mr. Ma Hing Man and Mr. Ma Hing Ming are Hong Kong residents and do not currently hold any identity cards or passports of the PRC or constitute individuals who do not have domestic legal status in the PRC but reside in the PRC habitually for the purpose of economic interests, which mainly include the following:

- a. individuals who have domestic permanent residence and leave this domestic permanent residence temporarily for reasons including overseas travel, study, medical treatment, work, or the requirements of overseas residence, etc., but return to the permanent residence after cessation of the aforesaid events;
- b. individuals who hold domestic-funded rights and interests in domestic enterprises; and
- c. individuals who hold domestic-funded rights and interests in domestic enterprises which though were converted into foreign-funded rights and interests are still held by such individuals,

they are not subject to the requirement of foreign exchange registration under the SAFE Circular No. 37 and SAFE Circular No. 13.

BUSINESS

OVERVIEW

We are one of the globally leading non-leather handbag original equipment manufacturers (OEM) and the leading non-leather handbag OEM in Cambodia in terms of sales revenue. We principally manufacture and sell handbags, such as top handle bag, shoulder bags, crossbody bags and tote bags. Our end customers are mainly well-known multinational fashion brand names headquartered in the U.S., Canada, Spain, Sweden and Japan. According to the F&S Report, we were the fifth largest non-leather handbag OEM globally, the largest non-leather handbag OEM in Cambodia and the second largest non-leather handbag OEM in the PRC in terms of sales revenue, and had a market share of 0.4% globally, 68.3% in Cambodia and 0.5% in the PRC in 2016.

Our products are mainly mass market and middle-end priced products in the retail market which are mainly non-leather handbags made of materials such as PVC, PU and various types of textile materials. During the Track Record Period, we generated 87.5%, 76.3%, 71.5% and 68.5% of our revenue from sales to North America, and the remaining revenue was generated mainly from sales to Europe and Asia. We mainly sell to internationally well-known brand names (including fast fashion brand names) or their sourcing companies. As at the Latest Practicable Date, we have established over three years of business relationship with our top three customers during FY2015, FY2016 and FY2017.

According to the F&S Report, the global mass market and middle-end non-leather handbag retail market grew at a CAGR of 5.6% from US\$64.7 billion in 2012 to US\$80.4 billion in 2016, while our revenue grew from HK\$546.0 million in FY2015 to HK\$585.9 million in FY2016 and further to HK\$677.2 million in FY2017, and our revenue grew from HK\$193.9 million in 4M2017 to HK\$237.9 million in 4M2018. Our customers' orders are typically priced on a cost-plus basis and we set our target profit margins taking into account factors such as tariff borne by the customers as well as market competition and conditions. The following table sets forth the breakdown of our revenue by export destination during the Track Record Period:

	FY2015		FY2016		Revenue for FY2017		4M2017		4M2018	
	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million (unaudited)	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %
North America ⁽¹⁾	478.0	87.5	447.0	76.3	484.3	71.5	129.8	66.9	163.1	68.5
Europe ⁽²⁾	20.1	3.7	73.1	12.5	118.4	17.5	41.2	21.3	56.1	23.6
Asia ⁽³⁾	28.8	5.3	50.7	8.7	56.5	8.3	15.3	7.9	14.3	6.0
Others ⁽⁴⁾	19.1	3.5	15.1	2.5	18.0	2.7	7.6	3.9	4.4	1.9
Total sales	546.0	100	585.9	100	677.2	100	193.9	100	237.9	100

BUSINESS

Notes:

- (1) This includes the U.S. and Canada. In particular, revenue from sales with the U.S. as export destination were HK\$458.1 million, HK\$437.4 million, HK\$471.5 million, HK\$126.7 million and HK\$157.6 million, which represented 83.9%, 74.7%, 69.6%, 65.3% and 66.3% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (2) This includes Spain, Austria, Belgium, Croatia, Denmark, Germany, Greece, Italy, Malta, Netherlands, Norway, Poland, Serbia, Slovakia, Sweden, Switzerland, Turkey and UK. In particular, revenue from sales with Spain as export destination were HK\$1.1 million, HK\$38.1 million, HK\$65.8 million, HK\$25.7 million and HK\$32.5 million, which represented 0.2%, 6.5%, 9.7%, 13.2% and 13.7% of our total revenue for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (3) This includes Japan, China, Hong Kong, India, Indonesia, Israel, Lebanon, Malaysia, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, UAE and Vietnam. In particular, revenue from sales with Japan as export destination were HK\$10.5 million, HK\$27.1 million, HK\$24.9 million, HK\$5.1 million and HK\$5.0 million, which represented 1.9%, 4.6%, 3.7%, 2.6% and 2.1% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (4) Others include countries such as Australia, Brazil and Mexico.

As an OEM, we develop and manufacture our products based on the designs provided by our customers. Our production facilities are located in Dongguan, the PRC and Kampong Speu, Cambodia. During the Track Record Period, 76.6%, 56.1%, 41.8% and 22.7% of our products, by unit, were manufactured in the PRC and 23.4%, 43.9%, 58.2% and 77.3% of our products, by unit, were manufactured in Cambodia. All workers in our Cambodia Factory are our employees. In order to allow flexibility on staffing and save costs on human resources management for our Dongguan Factory, manufacturing workers working at our Dongguan Factory during the Track Record Period and up to the Latest Practicable Date were provided by one of our sub-contractors. Excluding manufacturing workers from that sub-contractor, our Cambodia Factory and Dongguan Factory were staffed with over 4,500 and 250 staff, respectively, as at the Latest Practicable Date. Our own staff in Dongguan Factory mainly focuses on procurement, product development, business development and quality control, while our Cambodia Factory largely comprises our manufacturing workers. We also engage sub-contractors in the PRC to manufacture products and perform certain production steps at their facilities for us from time to time during the Track Record Period.

Our Cambodia Factory has been in operation for over four years. As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia, according to the F&S Report. We intend to capture such growth opportunity and the relatively low labour cost in Cambodia by leveraging our local experience to further expand our production facilities there. Our Directors believe this strategy will facilitate our plan to attract more fast fashion brands, which are inherently more cost cautious, as our end customers.

OUR STRENGTHS

We believe that the following strengths are the key factors contributing to our historical success and future development:

Cost-effective structure of our manufacturing facilities leveraging on low manpower costs in Cambodia, as well as close proximity to suppliers in the PRC

Our production facilities are strategically located in Kampong Speu, Cambodia and Dongguan, the PRC. Excluding manufacturing workers from a sub-contractor working on-site at our Dongguan Factory, our Cambodia Factory and Dongguan Factory is staffed with over 4,500 and 250 number of staff, respectively, as at the Latest Practicable Date. The Cambodia Factory and the Dongguan Factory have 23 and 14 production lines, and occupy approximately 62,493 sq.m. and 17,841.2 sq.m. of land, respectively. With the strategic two-pronged approach of locating our production facilities in Kampong Speu, Cambodia and Dongguan, the PRC, the benefits that we enjoy are multifaceted.

On one hand, the expansion of the Generalised System of Preferences by the United States in mid-2016 had granted Cambodia duty free access for export of travel goods, such as handbags, to the United States. Following the adoption of the Generalised Scheme of Preferences by the European Union, namely the “Everything But Arms” scheme, Cambodia enjoys duty-free and quota-free exports of all goods (except arms and ammunition) to member states of the European Union. Pursuant to the Generalised System of Preferences (GSP) Program granted by Japan in 1971, exports from Cambodia also enjoy preferential tariff treatment from Japan. As the United States and member states of the European Union are amongst our top export destinations, our Company has been able to deliver products to these countries at preferential tariff. In addition to such preferential tariff incentives, the relatively low labour costs in Cambodia in comparison to the PRC also allows our Group to enhance our price competitiveness against our competitors, in particular, those that only have production facilities in the PRC.

On the other hand, Cambodia, with a developing manufacturing industry, currently lacks local supply of high quality raw materials for handbag manufacturing business. As some of our customers designate suppliers of raw materials that we are mandated to use in manufacturing their products, we are able to benefit from our Dongguan Factory which is in close proximity to our suppliers mostly located in the PRC. Our Dongguan Factory works together with Wah Sun HK to provide procurement support to our Cambodia Factory to source raw materials from suppliers in the PRC. This enables both our Dongguan Factory and Cambodia Factory to maintain a stable supply of high-quality raw materials.

BUSINESS

Through the strategic structuring of our manufacturing facilities, we are able to benefit from both the extensive supply of manufacturing workers at low labour costs in Cambodia and close proximity to raw material sources in the PRC to conveniently source raw material supplies. We believe this collective network of support enables our Group to maintain a cost-effective business model.

Large scale manufacturing facilities to maintain cost competitiveness and capture market with high expected growth

In FY2017, we had an estimated annual total production capacity of approximately 9.2 million handbags (excluding those produced by our sub-contractors at their own factories). According to Frost & Sullivan, we have the highest number of staff amongst all players in the non-leather handbag manufacturing industry in Cambodia. We believe the large scale of our manufacturing facilities positions us well to capture a larger share of the expected continuing growth in the global market demand for fast fashion handbags.

Based on our experience, mass market fast fashion customers are inherently cost cautious and require high shipment volume and short production lead time. Our large scale operation does not only enable us to meet the shipping schedule of fast fashion end-customers, but also allows us to maintain a highly competitive cost structure since we are able to benefit from economies of scale and cost-effectiveness in our operations. Our centralised purchasing system of raw materials enhances our bargaining power to negotiate better prices and hence lowering per unit costs. As principal raw materials for each design are generally specified by customers and Cambodia lacks local raw material supply, handbag OEMs in Cambodia may have to make frequent shipments of raw material from overseas suppliers. With the high production capacity of and the large amount of raw material required by our Cambodia Factory, we can fully utilise container space for each shipment, thereby lowering average transportation costs. Further, we are able to maintain a low level of raw materials inventory since we can make purchases as and when our manufacturing needs dictate without sacrificing transportation costs or production lead time. Upon receipt of our customer's purchase, we seek to order raw materials for that order as quickly as possible in order to, to the extent possible, align our actual raw material costs with the price quote obtained in costing exercises, which in turn helps us secure our profit margin.

An established customer base comprising well-known brands in both middle-end and mass markets and allow cross-selling, with long-term and stable relationships with certain key customers

Our customer base includes internationally well-known brand names covering middle-end priced brands, mass-market brands and their respectively sourcing companies. The handbags we manufacture are sold across different parts of the world such as North America, Europe and Asia by these brand names. We believe a customer base comprising middle-end as well as mass market priced brands allows us to be relatively less sensitive to global economic fluctuation when compared to a customer base built on luxury and high-end brands.

BUSINESS

In addition, we have long-term and stable relationships with certain key customers. We particularly benefit from our over three-year relationship with our three largest customers during the Track Record Period. We maintain strong relationships with our customers, from senior management level to designers and working levels. We believe our market leading position and long track record in providing practical and top-class services provide us with a competitive advantage in attracting more internationally well-known brand owners, brand licensees or their sourcing companies as customers. During the Track Record Period, we have added two fast fashion brand names, among others, as our top five customers for FY2017 and 4M2018.

In FY2017, our largest customer accounted for less than 30% of our total revenue while our second to fifth largest customers took up around 9% to 19% of our total revenue. In 4M2018, our largest customer accounted for approximately 25.0% of our total revenue while our second to fifth largest customers took up around 11.5% to 15.5% of our total revenue. Without over-reliance on any single customer, we are in a better position to negotiate our prices, even in transactions with bulk purchasing end customers.

Further, our customer base and established business platforms have provided us with frequent opportunities to interact and develop business relationships with key personnel of our customers, thus enabling us to take advantage of cross-selling opportunities. For example, our well-established relationship with the key personnel of a customer that is a sourcing company for multiple brands has allowed us cross-sell to multiple brands served by that customer.

In-depth expertise and know-how in the craftsmanship of handbags and strong product development ability

The production process for a complex handbag involves many steps, including the manual assembly of multiple separate components by skilled workers. Based on our experience, only some of these steps can be automated, while the remaining steps must be done manually. These include, among others, sewing and assembling parts and components of a handbag and sewing patchwork. Through our long history of operations with and co-operation with multi-national brand names, we have accumulated in-depth expertise and know-how with respect to key steps of the handbag production process. Supervisors of our production department are experienced in handbag production and plan the production steps for each order to provide a streamlined and efficient production process for workers to follow. We believe a systematic production process enables us to reduce the likelihood of costly mistakes at production stage and the need for reprocessing or reworking. We also perform quality control on our raw materials before they are used in production, as well as our semi-finished goods at certain key production steps. We believe that these measures help us to reduce wastage and shorten production time, which in turn allows us to deliver products on a timely basis. We believe that such ability is crucial to our customers, especially those in the fast fashion industry, and hence contributes to our continuing success.

BUSINESS

We also have a product and prototype development team of over 100 personnel in our Dongguan Factory as at the Latest Practicable Date. Our experienced product development team allows us to work efficiently with our customers to develop products based on their initial designs that conform to their specifications and requirements while adhering to the target ex-factory prices as much as possible. Our prototype development team is made up of skilled labour experienced in handbag manufacturing, which allows us to produce relevant product prototype within a short time period upon receiving the design and specifications from our customers. For April and May 2017, our product development team and prototype development team developed more than 3,500 and 2,500 new handbags of various styles and colours. We believe that such product development capability and capacity make us more attractive to fast fashion customers.

Our involvement in the product development stage strengthens our relationship with our customers and ensures that the quality of our products meets our customers' demands. Coupled with our large-scale production capacity in Cambodia and the PRC, our product development and production teams enable us to produce our products in volume with efficiency and quality, which reinforces our competitiveness and market leading position.

Experienced senior management team with in-depth industry knowledge and a proven track record of delivering growth in revenue

We have a strong senior management team with in-depth industry knowledge and a proven track record of delivering growth in revenue. Our Group has been operated by substantially the same group of senior management since its founding. Each of the executive Directors has been with our Group for over 28 years. Our senior management team is experienced in and focused on developing our business to meet the competition of handbag OEM industry.

Apart from bringing in his/her rich experience in handbag manufacturing industry, each of our executive Directors also focuses on handling his/her own specialised aspects of our business. Mr. Ma Hing Man (馬慶文), our chairman and executive Director, has overseen and managed the overall operation, production and quality control management of our Group since incorporation of Wah Sun HK in 1989. Mr. Ma Hing Ming (馬慶明), our executive Director and chief executive officer, is primarily responsible for overseeing our Group's market development, sales and customer relationship management. Ms. Ma Lan Chu (馬蘭珠), our executive Director, is primarily responsible for overseeing our Group's financial management, fund raising and capital management. Mr. Ma Yum Chee (馬任子) and Ms. Ma Lan Heung (馬蘭香), both our executive Directors, are primarily responsible for overseeing our Group's production and quality control management. Please see "Directors, Senior Management and Employees" section for further details and biographies of our Directors and senior management.

BUSINESS

The depth and breadth of the complementary experience of our senior management team enhance our capability in delivering quality products to our customers, which in turn help us to achieve our business objectives. The industry knowledge and experience of our senior management team have been crucial in the successful development of our business and the establishment of our long-term strategic relationships with the international brands. We believe that the extent of growth generally in our revenue over the Track Record Period, in particular, has demonstrated the efficacy of our management team in the execution of our business strategies.

OUR BUSINESS STRATEGIES

We intend to enhance shareholder value by leveraging our expertise in the handbag OEM industry with a view to maintaining and strengthening our position as one of the globally leading non-leather handbag OEMs and the leading non-leather handbag OEM in Cambodia and increasing our share in fast fashion handbag OEM market. To achieve these goals, we are pursuing the following principal strategies:

Enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia

As disclosed above, handbags exported from Cambodia received preferential tariff treatment from various countries and the European Union. The United States and various member states of the European Union were amongst our top export destinations during the Track Record Period. Riding on the preferential tariff treatment, revenue recorded from sales of handbags manufactured in our Cambodia Factory has increased from HK\$101.5 million for FY2015 to HK\$327.8 million for FY2017 with a CAGR of 79.7%, and increased from HK\$81.6 million for 4M2017 to HK\$155.0 million for 4M2018 with a CAGR of 90%. Taking into account that the above preferential tariff treatment has only been recently adopted in the United States in mid-2016 and the relatively low labour cost of Cambodia, our Directors believe that Cambodia handbag OEM market still have significant room for further growth. According to the F&S Report, the market size of Cambodia's mass and middle-end non-leather handbag OEM industry is expected to grow at a CAGR of 9.8% from 2016 to 2021. We intend to capture the expected growth of handbag OEM market in Cambodia by enhancing our manufacturing capability in anticipation of the continued growth of our business and the handbag OEM industry of Cambodia. As at the Latest Practicable Date, we have 23 production lines and over 4,500 staff in our Cambodia Factory. During the Track Record Period, the production volume of our Cambodia Factory has increased from 2.4 million units for FY2015 to 7.0 million units for FY2017, and increased from 1.8 million units for 4M2017 to 3.6 million units for 4M2018. Due to the rapid expansion of business, our Cambodia Factory has almost fully utilised its production capacity. In order to support our expansion strategies, leverage the low labour costs in Cambodia and lower our overall production cost, we plan to begin the expansion phase of our Cambodia Factory.

BUSINESS

The expansion plan of our Cambodia Factory is divided into three phases. Under the first phase, we plan to construct the following buildings:

No.	Description	Usage by our Group	Estimated gross floor area (sq.m.)
1	New Production Plant 1	production	5,270
2	New Office	office	1,584

These buildings will be constructed on the currently unused portion of the leased land in Cambodia. We have engaged a contractor for the construction of buildings under the first phase of our expansion plan and pursuant to the relevant construction agreement, construction work has commenced as at the Latest Practicable Date. Such construction works had been suspended voluntarily as at the Latest Practicable Date pending the obtaining of relevant permits from relevant government authority. Upon obtaining the relevant permits, buildings under the first phase of our expansion plan are expected to complete by the end of the financial year ending 31 March 2018. It is expected that new buildings under the first phase of expansion plan will house around 10 additional production lines upon completion, which are expected to commence operation by the end of the financial year ending 31 March 2018.

We plan to construct Phase 2 Production Plant and Phase 3 Production Plant with gross floor area of around 12,000 sq.m. and 10,000 sq.m., respectively, under the second phase and third phase of our expansion plan. Subject to suitable site being leased and relevant construction permits being obtained in time, construction work of the second and the third phase of our expansion plan are expected to commence by the end of 2017 and 2018, and Phase 2 Production Plant and Phase 3 Production Plant are expected to be completed in or around the second half of the year 2018 and 2019, respectively. Upon completion, Phase 2 Production Plant and Phase 3 Production Plant are expected to house 18 and 15 production lines, which are expected to commence operation by the end of 2018 and 2019, respectively. Warehousing space, staff accommodation, staff cafeteria and various ancillary facilities may also be expanded under the expansion plan to cater for the expansion in operations of our Cambodia Factory if necessary. We do not anticipate any material difficulty in leasing suitable site for our expansion plan. We have located suitable site for the second phase and third phase of our expansion plan, which is situated across our Cambodia Factory. We are in negotiation with the landlord for leasing the land (or part of it) but has not entered into any legally binding agreement in respect of the lease of the site as at the Latest Practicable Date. In selecting the appropriate site, we take into account factors such as proximity to our Cambodia Factory, area of the site, rent and term of the lease offered by the landlord.

Our Cambodia Factory's estimated annual production capacity is expected to increase by approximately 35%, 60% and 50%, respectively, after the commencement of operation of the new production lines in New Production Plant 1, Phase 2 Production Plant and Phase 3 Production Plant, respectively. It is estimated that the capital expenditure of the first, second

BUSINESS

and third phase of expansion plan will be approximately HK\$14.2 million, HK\$24.2 million and HK\$20.2 million, respectively. As at the Latest Practicable Date, we have incurred approximately HK\$6.4 million on the first phase of the expansion plan under the relevant construction agreement, and have not incurred any expenses for the second and third phases of the expansion plan. The total investment costs payable by our Group under the first phase to third phase of our expansion plan in Cambodia is expected to be approximately HK\$52.2 million and we expect to fund the estimated investment costs for such expansion plan by the net proceeds of the Global Offering and our internal resources.

The investment payback period of the first, second and third phase expansion plan are estimated at 19 months, 28 months and 25 months, respectively. The investment payback period refers to the period of time required to recover the initial set up costs by its net profit. In estimating the above investment payback periods, it was assumed that the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating results of the new production plants due to fluctuation in market demand, market inflations, increase in new material costs and labour expenses throughout the operation periods.

Following the expansion of the production facilities, we intend to use approximately 15% or HK\$11.9 million of the net proceeds from the Global Offering for purchasing production equipment for Phase 2 Production Plant and Phase 3 Production Plant in Cambodia. It is currently anticipated that such production equipment include gluing machines, sewing machines, cutting machines, power generators and drying machines, but the exact types and number of each type of machines may be adjusted to accommodate the exact configurations of the 33 additional production lines. Expected useful lives of our production equipment are generally around five years.

We will from time to time re-evaluate our sales projection based on market demand for our products. We intend to re-assess the construction plan of the new production plants at the time closer to the commencement of construction and may adjust the construction schedule and the scale of expansion if needed.

Our Directors believe that as our business further develops, expanding our production facilities allows us to meet the increasing demand. The increase in our production lines also enables us to maintain our relationships with our existing customers and expand our customer base. Going forward, we intend to maintain our production facilities in the PRC primarily for non-manufacturing functions such as order management, product development and raw material procurement and primarily utilise the production facilities in Cambodia for manufacturing. Following this strategy to expand the production facilities and shift our manufacturing functions to Cambodia, we expect that the amount of sub-contracting work required in the PRC will decrease as those works are manufacturing related.

The Generalized System of Preferences program expired on 31 December 2017 and accordingly, all eligible goods to the U.S. from all beneficiary countries and territories under the program including Cambodia are subject to non-preferential duties from 1 January 2018. We are advised by our legal advisers as to US laws that (i) the Generalized System of

BUSINESS

Preferences program had been renewed as a normal practice in the United States historically, and the renewal would have retrospective effect such that products eligible under the program would get the benefits for the lapse period and importers of eligible goods may make duty refund requests to the U.S. Customs and Border Protection for import duties paid during the lapse period; (ii) process to renew the program has been commenced in the U.S. Congress and according to the U.S. House Ways and Means Committee Chairman, the program will be a priority for congressional passage for renewal in early 2018; and (iii) subject to renewal of the program, it is expected that any renewal will be retroactive to 1 January 2018 and therefore refunds of duties paid is expected to be issued by U.S. Customs. Our Directors considered that due to the low labour costs of Cambodia, even in the unlikely event that the Generalized System of Preferences program is not renewed, Cambodia is expected to remain as a preferred manufacturing location for our major customers in the United States. On basis set out above, our Directors are of the view that the lapse of the Generalized System of Preferences program of the United States is not expected to have material adverse impact on our business operations, financial performances and expansion plan in Cambodia.

Upgrading and up-keeping of our production facilities

With the aim to maintain our product quality, enhance production efficiency and improve our working environment, we intend to refurbish our existing facilities, including carrying out renovation and maintenance work on our factories and offices. During the Track Record Period, amount spent on refurbishment, renovation and maintenance of our existing production facilities and offices was immaterial and we incurred repairs and maintenance expenses for our machinery and equipment of HK\$430,000, HK\$284,000, HK\$733,000 and HK\$358,000 for FY2015, FY2016, FY2017 and 4M2018, respectively. We currently expect that the costs of the above works to be incurred during the three years ending 31 December 2019 will be approximately HK\$7.9 million, and will be financed by net proceeds from the Global Offering.

With an aim to improve our operation efficiency and warehouse management, we also intend to enhance our IT infrastructure through (i) upgrading our computers and peripheral office equipment; (ii) purchasing ERP software system such as warehouse management software and radio frequency identification (RFID) system for our warehouses in the PRC and Cambodia; and (iii) expanding our IT team to maintain and manage our expanded IT system and equipment. We currently expect to finance the above plan by the net proceeds from the Global Offering entirely.

Enhancing and expanding our pre-production product development services

The pre-production product development services that we provide our customers are an important focus of our business. Our product development team collaborate with our customers in their product development process and handcraft, modify and refine their product prototypes before mass production.

With an aim to enhance our pre-production product development services and support our expansion plan in Cambodia cater for demand of fast fashion companies which have high demand for product development services and support our expansion plan in Cambodia, we

BUSINESS

intend to strengthen our product development team by recruiting more skilled and experienced product development staff to enhance our product development support to our customers. We intend to establish a product development team in Cambodia by hiring technical staff from the PRC to work in our Cambodia Factory and by training experienced workers in Cambodia to pick up on the skills required for product development. To support the new product development team, we plan to purchase machineries used in our product development process such as specialised machines for paper patterns generation and adjustment. These machineries are expected to allow our new product development team to handcraft and assemble the prototype at higher efficiency.

Once the upgraded machineries are in operation and our product development team in Cambodia have been set up, we will have larger and better facilities and capabilities to enhance collaboration with our customers' design teams, and to cater for the shorter product development cycle generally required from fast fashion brands. We will also continue to increase our collaboration with customers at each stage of the manufacturing process, from the modification of a design concept and continuing through product development to the final delivery of the high-quality products.

Strengthening and broadening our customer base

We plan to continue to leverage our market leading position and high quality services to maintain our relationships with our existing customers and to attract new internationally well-known brand customers, particularly fast fashion brand customers. We believe our strength in accommodating variations in customer requirements and fulfilling large orders on short notice has bred loyalty among our customers. Further, we believe that the expected growth in the fast fashion market globally provides us with an opportunity to capitalise on our competitive strengths and strengthen and broaden our customer base and increase our market share.

To achieve this end, we will continue to work closely with our existing customers to provide better services and products to them at competitive prices to further solidify our relationships. We also intend to install showrooms in our production base in Cambodia and the PRC to better promote and showcase our products to customers when they visit our production facilities. As our key customers are fashion conglomerates and their sourcing companies, we believe such strategy will allow us to leverage our existing customer relationships to carry out follow-on development of potential customers and cross-selling opportunities with the sister brands of our existing end customers.

We believe our long-standing and proven business track record in the handbag industry can help us solidify our existing client relationships and source new customers.

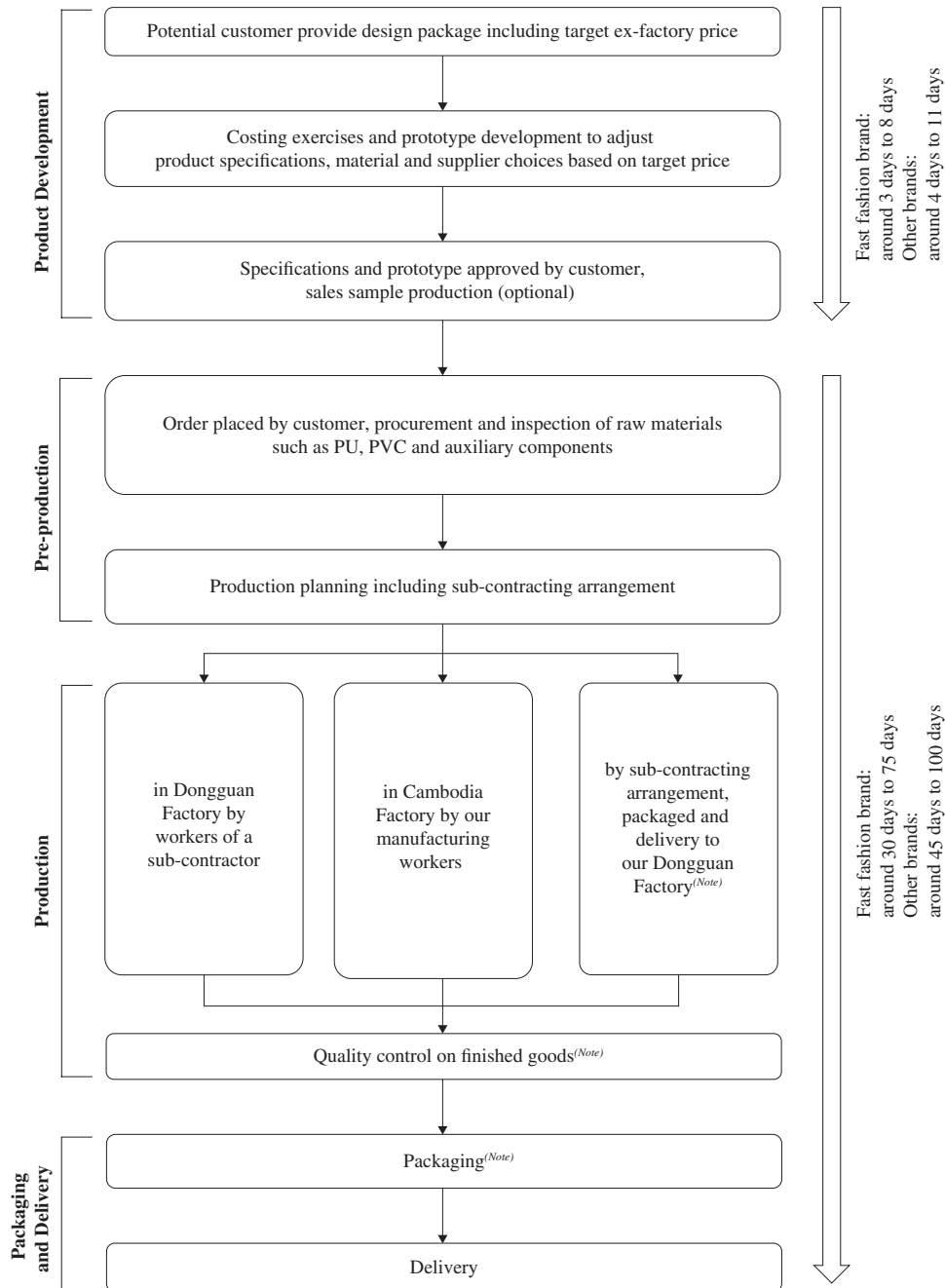
Use of Proceeds from the Global Offering for our Strategies

Please see "Future Plans and Use of Proceeds" section for the expected use of proceeds from the Global Offering for our future plans set out above, and we will use our internal resources to carry out the other strategies.

BUSINESS

BUSINESS MODEL AND BUSINESS PROCESS

We generate our revenue principally from developing and manufacturing mass market to middle-end priced non-leather handbags for multinational fashion and accessories brand names headquartered in countries such as the U.S., Sweden, Spain and Japan. The following flowchart depicts our business process, which involves inter-departmental cooperation to develop, manufacture and deliver our products to our customers.



Note: Goods manufactured by our sub-contractors are inspected for quality control and packaged before being delivered to our Dongguan Factory.

Product Development

We generally receive a design package from our customer, which includes target ex-factory unit price, technical drawings, specifications, order volume and raw material choice. Our customers may also provide the designated supplier of raw material to be used. Our product development team then provides inputs on feasibility of mass production of the product in terms of design and materials and our prototype development team makes the first prototype of the product in our prototype workshop for our customers. Our costing team also conduct costing exercise to evaluate the indicative ex-factory unit price provided by the customer. We work with our customers to refine the prototype, adjust the specifications and negotiate on the ex-factory unit price if necessary. Where requested by customer, our production team may manufacture sales samples for the customer.

Based on the experience of our Directors, fast fashion brands generally allow three to eight days for product development while other brands generally allow four to 11 days for product development.

Pre-production

Our customer generally provide us a purchase order with the agreed ex-factory unit price, specifications, order volume and other payment and delivery terms. Our business department calculates the volume of each type of raw material required and our procurement departments in Dongguan Factory and Hong Kong order such materials from suppliers and deliver to our Dongguan Factory, Cambodia Factory and sub-contractors if needed. Our quality control department ensures raw materials satisfy our specifications before they are accepted and further processed. We line up our two factories and arrange for manufacturing workers of one of our sub-contractors to work at our Dongguan Factory. Where other sub-contractors are needed for timely delivery of orders, we place orders to them accordingly.

Production

Our production supervisors design the production process which sets out steps for manufacturing workers in Dongguan Factory and Cambodia Factory to follow. Some of the raw materials are pre-processed before being passed to the production lines for sewing and assembly according to the relevant specifications. On the production lines, different components, including cut, matched and processed raw material and other components are assembled together to make a finished product. We conduct inspection on our work in progress, and finished products are subject to final inspection by our own quality control department as well as our customers' on-site quality control personnel.

Packaging and Delivery

Products that pass inspection are then packed and our shipping department arranges for the delivery of the finished products to our customers.

Based on the experience of our Directors, pre-production to product delivery generally take 30 to 75 days for fast fashion brands and 45 to 100 days for other brands.

PRODUCTS

We produce different styles of non-leather handbag products, such as top handle bags, shoulder bags, crossbody bags and tote bags, on an OEM basis for our customers. We also manufacture a small amount of wallets and other accessories as ancillary handbag products if requested by our customers. Our products are made of materials such as PU, PVC and various types of textile materials.

Our products are mainly mass market and middle-end priced products. According to the F&S Report, global mass market and middle-end priced non-leather handbags generally have retail price range of below US\$100, and between US\$100 to US\$199, respectively, and non-leather handbags of fast fashion brands generally have a retail price range of US\$20 to US\$100.

We set out below pictures of some examples of our products:

Top handle bag



Shoulder bag



Crossbody bag



Tote bag



PRODUCTION

We believe that efficient production of handbags, particularly for fast fashion brands, requires a highly systematic process. It generally requires various components and materials to be processed and assembled by machine and hand, and involves multiple production steps in the production process. With over 28 years of operating history, we believe we become efficient and specialised in the numerous production processes for different styles of handbags.

Production process*Pre-production*

Our operation flow of production is carefully planned with an aim to increase production efficiency. At pre-production planning, after receipt of purchase order, raw material procurement and manufacturing arrangements such as production scheduling and sub-contractor engagement is carried out.

We allocate orders to Dongguan Factory, Cambodia Factory and our sub-contractors taking into account their production capacity, production schedule and preference of our customers. Our Hong Kong office works with the Dongguan Factory to procure raw materials and arrange for delivery to Dongguan Factory, Cambodia Factory and/or the manufacturing facilities of our sub-contractors, as the case may be.

Our product development team provide a set of paper patterns for raw material cutting. Our production supervisors design a set of production procedures according customer's specifications during pre-production stage. The set of paper patterns, production procedures and raw material purchased for that order are used in making a production sample. The production sample is generally approved by the relevant customer before mass production commences. This reduces our risk of producing large quantities of unsatisfactory products and utilises our production facilities more efficiently. We believe that this operational model allows us to maximise our production efficiency and yield.

Production

At our factories, raw material are pre-processed before being passed to the production lines. The PU, PVC or fabric is cut into pieces according to the paper patterns. Production lines and gluing units then sew, glue and assemble different parts and components to produce the handbag. Our quality control staff perform visual in-line inspection and check items such as notches, suture, seam, excessive thread, and sewing accuracy of the work in progress. If any defects are spotted, the work in progress will be sent back to the relevant station for reworking or reprocessing. Our quality control department and our customer's on-site inspection personnel perform final checking on finished goods. In addition to visual inspection of the products, product label, merchant card, shipping marks on packaging are also checked and recorded.

BUSINESS

Production facilities

We fulfil our orders by manufacturing in our factories as well as by engaging sub-contractors. We manufacture our products in our production facilities in Dongguan, the PRC and Kampong Speu, Cambodia, with a total of 37 production lines, over 4,750 personnel as at the Latest Practicable Date.

Our production facilities are constructed on leased land and all machinery and production equipment are owned by us.

During the Track Record Period, 76.6%, 56.1%, 41.8% and 22.7% of our products were manufactured in the PRC by our Dongguan Factory and sub-contractors, while 23.4%, 43.9%, 58.2% and 77.3% of our products were manufactured in the Cambodia Factory.

Dongguan Factory

We established our Dongguan Factory in 1998. It is situated at Changfu Industrial Park, Fushan Village, Liaobu Town, Dongguan, the PRC (東莞市寮步鎮鳧山村長富工業區). The location benefits us from being in close proximity to our suppliers and have access to efficient port facilities to deliver to our customers, which helps to reduce costs and shorten delivery time.

Our Dongguan Factory comprises two production plants and three dormitories with a gross floor area of approximately 26,565.5 sq.m., while the two production plants have a gross floor area of 17,385.8 sq.m.. As at the Latest Practicable Date, the Dongguan Factory has 14 production lines and a total of over 250 employees.

Cambodia Factory

We established our Cambodia Factory in 2013, and it has been in operation for over four years. It is situated at Bostaney Village, Kaheng Commune, Samrong Tong District, Kampong Speu Province, Cambodia. It has become our major production facility in FY2017, because of (1) the preference of our customers, which we believe is due to the preferential tariff treatment of the United States, member states of the European Union, Canada and Japan and (2) the overall operating costs in Cambodia, including but not limited to labour costs, are lower than those in the PRC.

Our Cambodia Factory comprised of production plants, warehouses, office and ancillary facilities such as dormitories and canteen with aggregate site area of approximately 31,712 sq.m.. The production plants and warehouse have an aggregate site area of approximately 28,407 sq.m.. As at the Latest Practicable Date, the Cambodia Factory has 23 production lines and a total of over 4,500 employees. The Cambodia Factory mainly manufactures products for fast fashion brands end customers.

BUSINESS

Revenue breakdown by geographical location of manufacturing

During the Track Record Period, revenue generated by sales of products manufactured by our Dongguan Factory, by our sub-contractors in their own manufacturing facilities in the PRC under off-site sub-contracting arrangements and by our Cambodia Factory are set out below:

	FY2015 Revenue		FY2016 Revenue		FY2017 Revenue		4M2017 Revenue		4M2018 Revenue	
	HK\$ million	%	HK\$ million	%	HK\$ million	%	HK\$ million (unaudited)	%	HK\$ million	%
<i>In the PRC</i>	444.5	81.4	396.9	67.7	349.4	51.6	112.3	57.9	82.9	34.8
Dongguan Factory ⁽¹⁾	216.5	39.6	149.1	25.4	124.7	18.4	47.3	24.4	23.8	10.0
Off-site sub- contracting arrangements ⁽²⁾	228.0	41.8	247.8	42.3	224.7	33.2	65.0	33.5	59.1	24.8
<i>In Cambodia</i>										
Cambodia Factory	101.5	18.6	189.0	32.3	327.8	48.4	81.6	42.1	155.0	65.2
Total	546.0	100.0	585.9	100.0	677.2	100.0	193.9	100.0	237.9	100.0

Notes:

- (1) All manufacturing workers in our Dongguan Factory are workers from a sub-contractor under on-site sub-contracting arrangements during the Track Record Period.
- (2) This includes products manufactured under off-site sub-contracting arrangements where the relevant sub-contractor was engaged to manufacture the entire product, as opposed to conducting part of the production process, at their own facilities.

For FY2015, FY2016 and FY2017, revenue from sales of products manufactured in the PRC represented 81.4%, 67.7% and 51.6% of our total revenue, respectively, while revenue from sales of products manufactured in Cambodia represented 18.6%, 32.3% and 48.4% of our total revenue, respectively. For 4M2017 and 4M2018, revenue from sales of products manufactured in the PRC represented 57.9% and 34.8% of our total revenue, respectively, while revenue from sales of products manufactured in Cambodia represented 42.1% and 65.2% of our total revenue, respectively.

We recorded higher gross profit margin from sales of products manufactured in Cambodia for FY2016, FY2017 and 4M2018. For FY2015, FY2016, FY2017 and 4M2018, gross profit margin from sales of products manufactured in the PRC were 12.9%, 15.3%, 12.3% and 7.3%, respectively, while that of products manufactured in Cambodia were 9.3%, 17.6%, 29.5% and 29.7%, respectively. We believe that the relatively higher gross profit margin from sales of products manufactured in Cambodia is due to higher demand for production capacity in Cambodia and the relatively lower labour cost in Cambodia than in the PRC.

BUSINESS

Scale of operation in Dongguan Factory and Cambodia Factory

We use certain automated production equipment, such as computerised material cutting machines, to attain high efficiency and better control of the consistency of the quality of our products but only some steps in our production process can be automated. Unlike production process of products that have standard production requirements and production times, the production requirements and production times for our handbags vary significantly due to a number of factors such as different structure, styles and complexity for different products. As a result, our estimated annual production capacity and utilisation rate may not be an accurate indication of the use of our production capacity or meaningful in evaluating our profitability.

The following table sets out the estimated production capacity, actual production volume and estimated utilisation rate for each of our manufacturing facilities during the Track Record Period:

	FY2015 number of pieces <i>million</i>	FY2016 number of pieces <i>million</i>	FY2017 number of pieces <i>million</i>
<i>Dongguan Factory</i>			
– Estimated production capacity ^(Note 1)	4.1	2.2	2.3
– Actual production volume	3.7	2.1	2.1
– Utilisation rate ^(Note 2)	90.1%	94.7%	91.5%
<i>Cambodia Factory</i>			
– Estimated production capacity ^(Note 1)	2.5	4.7	6.9
– Actual production volume	2.4	4.6	7.0
– Utilisation rate ^(Note 2)	96.9%	96.9%	102.7%

Notes:

- For each financial year ending 31 March, the estimated production capacity of each production line per day is computed on the basis of the quarter of that financial year in which we recorded the highest production volume, adjusted for the estimated over-time work hours, divided by the number of production lines in operation and the number of working days in that quarter. It was assumed that the same production volume could be achieved for every production line in every working day during that financial year, and the estimated production capacity is calculated based on the average number of production lines we had at the relevant financial year multiplied by the number of working days for the relevant financial year.
- The estimated utilisation rate is the actual number of products manufactured divided by the estimated annual production capacity for the relevant financial year.

Our estimated production capacity in FY2017 increased by approximately 33% as compared to that in FY2016, which was primarily due to the addition of four new production lines in Cambodia in FY2017. The decrease in estimated production capacity of our Dongguan Factory in FY2016 and FY2017 in compare to FY2015 was due to decrease in production volume in the highest quarter. We believe that such decrease in highest production volume was due to allocation of orders for more complex products to Dongguan Factory. The aggregate annual total production capacity of our Dongguan Factory and Cambodia Factory is around 9.2 million handbags for FY2017.

BUSINESS

The estimated utilisation rate of our production facilities increased from approximately 92.7% for FY2015 to approximately 96.2% for FY2016 and further to approximately 99.9% for FY2017, which was primarily due to the increase of actual production volume of handbags in FY2016 and FY2017 as a result of increasing orders from customers.

We intend to capture the growth opportunity by leveraging the relatively low labour cost in Cambodia and further expand our production facilities in Cambodia, which our Directors believe will also facilitate our strategy to attract more fast fashion brands, which are inherently more cost cautious, as our end customers.

Equipment maintenance

All the production equipment are owned by our Group. We endeavour to repair and maintain our machinery and equipment on a regular basis. As at the Latest Practicable Date, our equipment maintenance team consisted of 13 employees, and were responsible for checking the equipment from time to time and repairing them when needed. Production workers are responsible for carrying out inspections and routine cleaning of our production equipment. Manufacturers of our equipment also provide equipment maintenance services during warranty period. The useful lives of our principal machinery and equipment are approximately two to five years. Our equipment will be replaced when it is no longer functioning properly.

Our Directors confirm that we did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

Sub-contracting arrangements

On-site sub-contracting arrangements at Dongguan Factory

All manufacturing workers in our Dongguan Factory during the Track Record Period and up to the Latest Practicable Date were provided by two companies, namely 東莞市怡勝手袋有限公司 (“**Yi Sheng**”) and Sun Yi Development (Hong Kong) Limited (“**Sun Yi**”, together with Yi Sheng, “**Relevant Sub-contractor Group**”), owned by the same shareholder. For FY2015 and FY2016, on-site sub-contracting arrangements were conducted through Yi Sheng and for FY2017 and 4M2018, on-site sub-contracting arrangements were conducted through Sun Yi. Other than manufacturing, all other operations in our Dongguan Factory, such as product development, supervision of production process, quality control, procurement of raw materials, order management and inventory and warehouse management, are carried out by our own employees. We believe that such arrangements allow us to focus on key stages of our operation process and utilise our resources in a more cost effective manner. We do not enter into long-term agreement with the Relevant Sub-contractor Group in respect of the on-site sub-contracting arrangements. As part of our pre-production planning after receiving an order from our customer, we place order to the Relevant Sub-contractor Group which specify details such as delivery schedule, quantity, unit price, payment and credit terms. Notwithstanding that the Relevant Sub-contractor Group arranges for manufacturing workers to work in our

BUSINESS

Dongguan Factory, the sub-contracting fees were calculated based on number of handbags ordered instead of the number of manufacturing workers provided. The number of manufacturing workers working in our Dongguan Factory may therefore vary from time to time during the Track Record Period and up to the Latest Practicable Date, depending on the orders allocated to it during pre-production stage.

The rights and obligations of the Relevant Sub-contractor Group and us in respect of the on-site sub-contracting arrangements are generally as follows: We provide the raw material, equipment and tools for production. Workers of the Relevant Sub-contractor Group are supervised by their own supervisors as well as by our factory manager. Quality control inspection in production line and for finished goods are performed by us. We may request for re-imburement from the Relevant Sub-contractor Group where there is any product defect due to the fault of its workers. We are responsible for delivery to our customers. Please see paragraphs headed “Workers under On-site Sub-contracting Arrangements” in this section for the obligations of our Group (if any) and the Relevant Sub-contractor Group in respect of the workers under on-site sub-contracting arrangements.

The number of handbags produced in our Dongguan Factory under such on-site sub-contracting arrangements for FY2015, FY2016, FY2017 and 4M2018 were 3.7 million, 2.1 million, 2.1 million and 0.4 million, respectively, and accounted for 35.7%, 19.7%, 17.2% and 7.7% of our total quantity sold for the respective financial year/period, respectively.

During the Track Record Period, we have not experienced any labour strike causing material interruption of operations as a result of any disputes between our Group and the Relevant Sub-contractor Group. Please see “Suppliers and Sub-contractors – Sub-contractors” below for more details of our sub-contractors and sub-contracting arrangements.

Off-site sub-contracting arrangements in the PRC

We follow a flexible production policy whereby we decide whether to manufacture products internally or through third parties, in order to increase flexibility on staffing and save costs on human resources management.

We may sub-contract the manufacturing of the whole product or part of the production process to our sub-contractors. During the Track Record Period, we from time to time sub-contracted certain procedures such as edge painting and gluing to our sub-contractors. Customer’s acknowledgement is required for us to sub-contract production of the entire product but not required for sub-contracting part of the production process. As part of our pre-production planning after receiving an order from our customer, we place order to our sub-contractors which specify details such as delivery schedule, quantity, unit price, payment and credit terms. Unlike the on-site sub-contracting arrangements, our sub-contractors for off-site sub-contracting arrangements manufacture the products we ordered or perform the production procedures that we outsourced to them in their own manufacturing facilities. Our sub-contractors are responsible for manufacturing the products/carrying out the outsourced procedures in accordance with our specifications. The work in progress and finished goods are

BUSINESS

subject to our quality control and finished goods are also inspected by quality control personnel of our customers. Raw material for production and packaging material may be provided by us or procured by the sub-contractors. During the Track Record Period, we generally provided raw material to a sub-contractor if it was engaged to conduct part of the production process and generally do not provide raw material to a sub-contractor if it was engaged to manufacture the entire product. If we do not supply them with the materials, we inform them of the names of the suppliers we use to obtain such materials.

The number of handbags produced by our sub-contractors under off-site sub-contracting arrangements for FY2015, FY2016, FY2017 and 4M2018 were 4.2 million, 3.8 million, 3.0 million and 0.7 million, respectively. Revenue from sales of handbag manufactured under off-site sub-contracting arrangements where the relevant sub-contractor was engaged to manufacture the entire product for FY2015, FY2016, FY2017 and 4M2018 were HK\$228.0 million, HK\$247.8 million, HK\$224.7 million and HK\$59.1 million, respectively.

During the Track Record Period, we have not experienced any material interruption of operations as a result of any disputes between our Group and the sub-contractors or other uncertainties and contingencies. Please see “Suppliers and Sub-contractors – Sub-contractors” below for more details of our sub-contractors and sub-contracting arrangements.

PRODUCT DEVELOPMENT

We pay particular attention to product development and we believe our strength in product development enables us to strengthen our relationship with our customers and ensures that quality of our products meets our customers’ demands. As at the Latest Practicable Date, we have a product development team and a prototype development team of over 100 personnel who have relevant experience in handbag manufacturing industry.

Our product development team works closely with our customers to understand their specifications and requirements and takes feedbacks from customers for modifications to the initial design and prototype. They also work closely with the production department to provide paper pattern for material cutting for the specific design of each type of product. Our prototype development team also produce prototype of new products in the prototype workshops. Our customer may request for sales samples after order is placed and our business department will work with our production team to provide sales samples to our customers.

QUALITY CONTROL

We believe that the quality of our products has contributed significantly to our success and the same quality control measures have been adopted in each of our Dongguan Factory and our Cambodia Factory. As at the Latest Practicable Date, we had over 100 quality control personnel in our Dongguan Factory and Cambodia Factory which, together with quality control personnel from our customers, are responsible for quality control matters. Our quality control personnel are not required to have specific qualifications; however, they generally have relevant industry experience and are familiar with the processes that they inspect and test.

Raw Material

The quality control measures adopted by us begin with the inspection of raw materials and components before they are accepted. Both our Dongguan Factory and our Cambodia Factory inspect the raw material upon delivery and our quality control department checks, on sampling basis, the colour, thickness, texture and whether there is any damage for each batch of delivery. Materials or components that do not satisfy our quality requirements will be returned to our suppliers. Only raw material that conform with our requirements will be passed to our factories or sub-contractors for further processing. We request quality and material testing report from our raw material suppliers from time to time, and may engage third party laboratory to conduct material testing if we consider necessary.

Production

Our quality control personnel in our production workshops monitor each stage of the production process by carrying out, on a random basis, visual inspection of semi-finished products to check, for example, whether there are slip-stitches and whether the sewings and cuttings of raw material are done in accordance with the specified pattern. When they identify any quality issues in the production process, they will arrange the products to be reworked.

Finished Goods

Our finished products will generally be inspected again before they are packed for delivery. Our customers generally have their specific acceptance procedures, they monitor the production process and quality of finished goods by arranging for their quality control personnel to perform on-site inspection. In addition, our customers may require a fixed number of products in each of our shipments to be randomly sample checked.

Product Return Policy and Customer Complaints

The allocation of liability for product defects between us and our customers follows the delivery terms adopted in our customers' purchase orders, which is generally by FOB. Risks and rewards of our products are therefore generally passed to our customers upon delivery of our products to the designated location of the relevant customer. We are generally responsible for compensation for defective or sub-standard products.

Our Directors confirmed that, during the Track Record Period, we had not received any major customer complaints on product quality, and there had been no massive recall on our products. During the Track Record Period, nature of product deficiencies identified included wrong labeling, and handbag zip or handle defects which we considered to be minor deficiencies. Where the product deficiency is due to faults of our sub-contractors, we request our sub-contractors to reimburse us for the compensation on product defects paid by us to our customers. Trade compensation paid by us to our customers due to product defects during the Track Record Period were recovered in full from relevant sub-contractors pursuant to terms of the purchase orders as the deficient products were manufactured by them. Our Directors consider that such trade compensation, as fully recovered from the relevant sub-contractor, were not material to our Group when compared to our revenue, gross profit and net profit during the same financial periods during the Track Record Period.

BUSINESS

CUSTOMERS

Our Customers

Our end customers are mainly well-known multinational fashion brands headquartered in the U.S., Canada, Spain, Sweden and Japan. These end customers may source their products from us directly or through sourcing companies. For FY2015, FY2016, FY2017 and 4M2018, we have 10, 14, 17 and 15 customers, respectively.

According to F&S Report, our end customers have sales network covering multiple countries, and may sell their products through chain stores and outlets. In the future, more mass and middle-end non-leather handbag brands are expected to develop mobile apps for consumers to make online purchase, according to the F&S Report, and the Directors believe that following such trend, our end customers may also expand develop their online sales strategies or expand their online sales platforms. During the Track Record Period, our products were mainly exported to North America, Europe, and Asia. The following table set out the breakdown of our sales by export destination during the Track Record Period:

	FY2015		FY2016		Revenue for FY2017		4M2017		4M2018	
	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %	Revenue HK\$ million (unaudited)	Percentage of total revenue %	Revenue HK\$ million	Percentage of total revenue %
North America ⁽¹⁾	478.0	87.5	447.0	76.3	484.3	71.5	129.8	66.9	163.1	68.5
Europe ⁽²⁾	20.1	3.7	73.1	12.5	118.4	17.5	41.2	21.3	56.1	23.6
Asia ⁽³⁾	28.8	5.3	50.7	8.7	56.5	8.3	15.3	7.9	14.3	6.0
Others ⁽⁴⁾	19.1	3.5	15.1	2.5	18.0	2.7	7.6	3.9	4.4	1.9
Total sales	546.0	100.0	585.9	100.0	677.2	100.0	193.9	100.0	237.9	100.0

Notes:

- (1) This includes the U.S. and Canada. In particular, revenue from sales with the U.S. as export destination were HK\$458.1 million, HK\$437.4 million, HK\$471.5 million, HK\$126.7 million and HK\$157.6 million, which represented 83.9%, 74.7%, 69.6%, 65.3% and 66.3% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (2) This includes Spain, Austria, Belgium, Croatia, Denmark, Germany, Greece, Italy, Malta, Netherlands, Norway, Poland, Serbia, Slovakia, Sweden, Switzerland, Turkey and UK. In particular, revenue from sales with Spain as export destination were HK\$1.1 million, HK\$38.1 million, HK\$65.8 million, HK\$25.7 million and HK\$32.5 million, which represented 0.2%, 6.5%, 9.7%, 13.2% and 13.7% of our total revenue for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (3) This includes Japan, China, Hong Kong, India, Indonesia, Israel, Lebanon, Malaysia, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, UAE and Vietnam. In particular, revenue from sales with Japan as export destination were HK\$10.5 million, HK\$27.1 million, HK\$24.9 million, HK\$5.1 million and HK\$5.0 million, which represented 1.9%, 4.6%, 3.7%, 2.6% and 2.1% of the total revenue of our Group for FY2015, FY2016, FY2017, 4M2017 and 4M2018, respectively.
- (4) Others include countries such as Mexico, Australia and Brazil.

BUSINESS

Following our strategy to increase our market share in fast fashion market and the rapid growth of the fast fashion industry according to the F&S Report, increasing amount of sales were made to fast fashion brand owners or their sourcing companies. For FY2015, FY2016, FY2017 and 4M2018, sales to such fast fashion brand owners or their sourcing companies were HK\$10.9 million, HK\$70.6 million, HK\$159.3 million and HK\$75.2 million, respectively, which amounted to 2.0%, 12.0%, 23.5% and 31.6% of our total sales, respectively.

Major customers

Our top five customers during the Track Record Period include, among others, Aldo Group International AG, Hong Kong Monopia Limited and Nine West Holdings Inc (in alphabetical order). As at the Latest Practicable Date, we had established over three years of business relationship with our top three customers in terms of total sales during FY2015, FY2016 and FY2017. The table below sets out the information of our top five customers during the Track Record Period in alphabetical order:

For FY2015, FY2016, FY2017 and 4M2018, revenue generated from sales to our top five customers were HK\$540.1 million, HK\$528.4 million, HK\$536.2 million and HK\$188.2 million, respectively, which amounted to 98.9%, 90.2%, 79.2% and 79.1% of our total revenue for the corresponding financial period. Revenue generated from sales to our largest customer for FY2015, FY2016, FY2017 and 4M2018 were HK\$318.0 million, HK\$235.3 million, HK\$177.9 million and HK\$59.4 million, respectively, which accounted for 58.2%, 40.2%, 26.3% and 25.0% of our total revenue for the corresponding financial period. The table below sets out the information on sales to our top five customers during the Track Record Period:

For FY2015

Customer	Brief description	Year of commencement of business relationship	Sales amount (HK\$ million)	Percentage of our total sales (%)
Customer A1 and Customer A2 ⁽¹⁾	two subsidiaries of a Hong Kong listed company. Based on the latest annual report of the relevant Hong Kong listed company for FY2017, the group was principally engaged in (i) branded kids, men's and women's apparel, footwear, fashion accessories and related lifestyle products, primarily for sales to retailers in the North America, Europe, Middle East and Asia; and (ii) the brand management business offering expertise in expanding its clients' brand assets in to new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis, and recorded revenue of approximately US\$3.9 billion for the financial year ended 31 March 2017	2013	318.0	58.2

BUSINESS

Customer	Brief description	Year of commencement of business relationship	Sales amount (HK\$ million)	Percentage of our total sales (%)
Customer B	a US based private company that principally engages in design, marketing, sales and distribution of clothing, shoes, apparel and accessories. Based on the website of the company, it was formerly part of a group listed on the New York Stock Exchange and was acquired by a private equity firm in 2014. Based on the website of the private equity firm, the company operates over 250 branded concept stores	2010	120.5	22.1
Customer C	a private company based in Switzerland which is a subsidiary of a Canadian retailer that principally engages in retail sales of footwear and accessories. Based on the website of the Canadian retailer, it has more than 3,000 points of sale globally	2011	76.1	13.9
Customer D	a private registered non-Hong Kong company incorporated in the BVI. Based on the website of the company, it principally engages in provision of sampling and manufacturing service for clothing products and accessories and has operations in Hong Kong, Taiwan and Shanghai, and its clients include multiple fashion brands	2012	15.4	2.8
Customer E	a private Hong Kong company. Based on the website of the company, the group has operations in Japan, the PRC, Hong Kong and Cambodia and principally engages in planning and production of bags and fashion accessories	2014	10.1	1.8

BUSINESS

For FY2016

Customer	Brief description	Year of commencement of business relationship	Sales amount (HK\$'million)	Percentage of our total sales (%)
Customer B	see Customer B above	see Customer B above	235.3	40.2
Customer A1	a subsidiary of a Hong Kong listed company that principally engages in the design, development, marketing and sales of fashion and fashion accessories products. Based on the latest annual report of the relevant Hong Kong listed company for FY2017, the group was principally engaged in (i) branded kids, men's and women's apparel, footwear, fashion accessories and related lifestyle products, primarily for sales to retailers in the North America, Europe, Middle East and Asia; and (ii) the brand management business offering expertise in expanding its clients' brand assets into new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis, and recorded revenue of US\$3.9 billion for the financial year ended 31 March 2017	2013	122.9	21.0
Customer C	see Customer C above	see Customer C above	88.9	15.2
Customer D	see Customer D above	see Customer D above	41.8	7.1

BUSINESS

Customer	Brief description	Year of commencement of business relationship	Sales amount (HK\$'million)	Percentage of our total sales (%)
Customer F	a jointly-controlled entity of a public company listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and on the automated quotation system, which principal engages in the retail of fashion, principally apparel, footwear, accessories and textile products for the home. Based on the annual report of the relevant public company, the group recorded a turnover of approximately €23.3 billion for the financial year 2016	2015	39.5	6.7

For FY2017

Customer	Brief description	Year of commencement of business relationship	Sales amount (HK\$'million)	Percentage of our total sales (%)
Customer B	see Customer B above	see Customer B above	177.9	26.3
Customer A1	see Customer A1 above	see Customer A1 above	130.5	19.3
Customer C	see Customer C above	see Customer C above	91.3	13.5
Customer F	see Customer F above	see Customer F above	74.8	11.1
Customer G	a subsidiary of a public company listed on the Nasdaq Stockholm. Based on the annual report of the relevant public company, the group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles and recorded sales including VAT of approximately SEK223 billion for the financial year ended 30 November 2016	2015	61.6	9.1

BUSINESS

For 4M2018

Ranking (in descending sales amount)	Brief description	Year of commencement of business relationship	Sales amount (HK\$'million)	Percentage of our total sales (%)
Customer A1	see Customer A1 above	see Customer A1 above	59.4	25.0
Customer F	see Customer F above	see Customer F above	36.8	15.5
Customer G	see Customer G above	see Customer G above	35.0	14.7
Customer C	see Customer C above	see Customer C above	29.6	12.4
Customer H1 and Customer H2 ⁽²⁾	Customer H1 is a public company listed on the Nasdaq in the U.S and Customer H2 is a subsidiary of Customer H1. Based on the latest annual report of Customer H1, the group (i) designs, manufactures and markets an extensive range of apparel, including outerwear, dresses, sportswear, swimwear, women's suits and women's performance wear, as well as women's handbags, footwear, small leather goods, cold weather accessories and luggage; and (ii) sells its products under its own proprietary brands as well as licensed brands and private retail labels	2016	27.5	11.5

Notes:

1. These customers are two members of the same group of companies.
2. These customers are two members of the same group of companies.

BUSINESS

During the Track Record Period, we had diversified our customer base to the effect that our largest customer as well as our top five customers took up decreasing proportion of our total revenue notwithstanding that our total revenue has increased throughout the Track Record Period. Revenue from sales to our largest customer to total revenue decreased from 58.2% in FY2015 to 40.2% in FY2016 and further to 26.3% in FY2017, respectively, and further decreased to 25.0% in 4M2018, while sales to our top five customers also account for a decreasing percentage of our total revenue from 98.9% in FY2015 to 90.2% in FY2016 and further to 79.2% in FY2017 and to 79.1% in 4M2018. Our effort in expanding our market share in fast fashion industry is also evidenced by two fast fashion brands or their sourcing company having become our top five customers for FY2016, FY2017 and 4M2018, respectively. We believe that following the expansion of our production facilities in Cambodia and the increase in our production capacities, we may further expand our customer base.

All our top five customers during the Track Record Period are independent third parties. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of our top five customers of our Group during the Track Record Period. None of our customers are also our suppliers during the Track Record Period.

SALES AND BUSINESS DEVELOPMENT

Our Sales and Business Department

Our sales department is based in Hong Kong. Our sales department is principally responsible for handling purchase orders received from our customers. Our business department is based in Dongguan and comprised 37 representatives as at the Latest Practicable Date. Our business department is responsible for co-ordinating with our factories and sub-contractors for execution of purchase orders and communicating with customers on their requests and feedbacks. Our business representatives have relevant industry experience generally. We also communicate with our customers frequently to discuss possible business opportunities and obtain their feedbacks. As an OEM, we believe we mainly attract new customers through building up a business reputation through reliable services and high quality products and referral by customers.

Sales Process

We do not generally enter into long-term sales agreement with our customers because the specifications of the products we manufacture for a customer vary greatly from order to order, depending on the design provided to us. Middle-end brand name or their sourcing companies generally place orders to us quarterly while fast fashion brand name or their sourcing companies place orders more frequently and may even place orders continuously. For each order placed by our customer, after we develop the product prototype and obtain approval on product specifications from the relevant customer, we generally confirm the sales terms such as unit price, quantity, delivery schedule and method, credit and payment terms with our customers in written purchase order. We believe that such practice is in line with the general practice of handbag OEM industry.

BUSINESS

Our Directors confirm that during the Track Record Period, we had not experienced any material difficulties in fulfilling our customers' orders that result in material adverse effect in our results of operation and financial position.

Pricing Policy

Our customer provides us a target ex-factory price together with the design and preliminary specifications and costing exercise is conducted as part of the product development process before confirming the ex-factory price with our customers. If the target ex-factory price of our customers cannot be met taking into our target profit margin, we negotiate with our customers on the ex-factory price and may adjust the design and/or material used before the final design and specification is agreed between our customers and us and order is placed.

We estimate our costs for manufacturing the product taking into account raw material, production time and complexity of design. We price our products on cost plus basis and set our target profit margins taking into account factors such as export tariff borne by the customers as well as market ex-factory prices of similar products. We review and adjust the target profit margin range in the pricing policy from time to time.

Credit and Payment Terms

Our customers generally settle payment for their purchases from us in US dollars by telegraphic transfer. We bill our customers after each batch of product delivery. We provide credit period on customer by customer basis and negotiate with our customers in respect of the credit period we provide. During the Track Record Period, our sales were generally made with credit period ranging from 30 days to 90 days. We assess the credit quality of a potential customer before granting credit to it. We typically do not require any collateral as security.

For each of FY2015, FY2016, FY2017 and 4M2018, the average trade receivables turnover days were 45 days, 38 days, 43 days and 61 days, respectively. We did not record any bad debts during the Track Record Period. Where we doubt the recoverability of a particular sum of receivables, our practice is to make specific provision for the same amount of receivable. No such provision has been made during the Track Record Period.

Seasonality

During the Track Record Period, we generally record higher sales in the second half of each calendar year. Our revenue generated in the second half of 2015 and 2016 were around 40% higher than that generated in the first half of the corresponding calendar year. We believe that the higher sales is due to our customers' increase in demand to prepare for expected increase in retail sales during festive seasons such as Christmas and New Year's Eve.

BUSINESS

SUPPLIERS AND SUB-CONTRACTORS

Our suppliers include suppliers of various raw materials, auxiliary components and packaging materials. In addition to suppliers, we also engage a sub-contractor that send its workers to manufacture the products we ordered from them in our Dongguan Factory, and other sub-contractors to manufacture products perform outsourced production steps for us at their own factories to fulfil our customers' orders during the Track Record Period.

Suppliers

We have over 200, 300, 450 and 250 suppliers for FY2015, FY2016, FY2017 and 4M2018, respectively. Most of our suppliers of principal raw materials are situated in Dongguan but we also procure a small amount of raw material from Taiwan and Korea. Our total purchases from our suppliers for FY2015, FY2016, FY2017 and 4M2018 were HK\$217.6 million, HK\$211.2 million, HK\$274.3 million and HK\$92.9 million, respectively, which accounted for 45.4%, 42.9%, 51.0% and 50.0% of our total costs of sales for the corresponding financial period.

Major Suppliers

For FY2015, FY2016, FY2017 and 4M2018, purchases from our top five suppliers were HK\$104.0 million, HK\$92.5 million, HK\$107.9 million and HK\$36.5 million, respectively, which amounted to 21.7%, 18.8%, 20.1% and 19.6% of our total costs of sales for the corresponding financial period. Purchases from our largest supplier for FY2015, FY2016, FY2017 and 4M2018 were HK\$51.4 million, HK\$39.5 million, HK\$44.7 million and HK\$15.2 million, respectively, which accounted for approximately 10.7%, 8.0%, 8.3% and 8.2% of our total costs of sales for the corresponding financial period. As at the Latest Practicable Date, we have established over two years of business relationship with most of our top five suppliers. The table below sets out the information of our top five suppliers in terms of total purchase amount/cost of sales during the Track Record Period:

For FY2015

Supplier	Year of commencement of business relationship	Brief description of the supplier
Supplier A1 and Supplier A2 ⁽¹⁾	2007	a private company incorporated in Hong Kong and a private company incorporated in the PRC, both principally engage in sourcing and supplying synthetic leather (PU and PVC)
Supplier B1 and Supplier B2 ⁽²⁾	2007	a private company incorporated in Hong Kong and a private company incorporated in the PRC that principally engage in supplying metal products

BUSINESS

Supplier	Year of commencement of business relationship	Brief description of the supplier
Supplier C	2008	a private company incorporated in the BVI that principally engages in supplying non-woven fabrics and synthetic leather
Supplier D	2014	a private company incorporated in the PRC that principally engages in supplying metal fitting
Supplier E	2014	a private company incorporated in Hong Kong that principally engages in supplying blended fabrics

For FY2016

Supplier	Year of commencement of business relationship	Principal business activity of the supplier
Supplier B1 and Supplier B2 ⁽²⁾	2007	See Supplier B1 and Supplier B2 above
Supplier A1 and Supplier A2 ⁽¹⁾	2007	See Supplier A1 and Supplier A2 above
Supplier F	2008	a merchant in the PRC that principally engages in supplying non-woven fabrics
Supplier C	2008	See Supplier C above
Supplier G	2009	a private company incorporated in Taiwan that principally engages in supplying blended fabrics

BUSINESS

For FY2017

Supplier	Year of commencement of business relationship	Principal business activity of the supplier
Supplier A1 and Supplier A2 ⁽¹⁾	2007	See Supplier A1 and Supplier A2 above
Supplier B1 and Supplier B2 ⁽²⁾	2007	See Supplier B1 and Supplier B2 above
Supplier H	2015	a private company incorporated in the PRC that principally engages in supplying synthetic leather (PU and PVC)
Supplier I	2016	a private company incorporated in the PRC that principally engages in supplying synthetic leather (PU and PVC)
Supplier J1 and Supplier J2 ⁽³⁾	2014	a private company incorporated in Hong Kong and a private company in the PRC that principally engage in supplying synthetic leather (PU and PVC)

For 4M2018

Supplier	Year of commencement of business relationship	Principal business activity of the supplier
Supplier A1 and Supplier A2 ⁽¹⁾	2007	See Supplier A1 and Supplier A2 above
Supplier B1 and Supplier B2 ⁽²⁾	2007	See Supplier B1 and Supplier B2 above
Supplier H	2015	See Supplier H above
Supplier I	2016	See Supplier I above
Supplier J1 and Supplier J2 ⁽³⁾	2014	See Supplier J1 and Supplier J2 above

BUSINESS

Notes:

- (1) These suppliers are two companies under common control based on our Directors' understanding.
- (2) These suppliers are two companies under common control based on our Directors' understanding.
- (3) These suppliers are two companies under common control based on our Directors' understanding.

All our top five suppliers during the Track Record Period are independent third parties. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of our top five suppliers of our Group during the Track Record Period.

Sub-contractors

We have two major types of sub-contracting arrangements, which are referred to as on-site sub-contracting and off-site sub-contracting arrangements. Under on-site sub-contracting arrangements, the sub-contractor arranges for its workers to manufacture the products we ordered on-site in our Dongguan Factory. For off-site sub-contracting arrangement, the sub-contractor manufactures our ordered products out of our Dongguan Factories at their facilities. We may sub-contract the manufacturing of the whole product or part of the production process to sub-contractors under off-site sub-contracting arrangements.

All our sub-contractors during the Track Record Period are independent third parties and none of our Directors or their close associates or any shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, had any interest in any of our sub-contractors during the Track Record Period.

Sub-contractors for on-site sub-contracting arrangements

We have one sub-contractor Yi Sheng for FY2015 and FY2016, and another sub-contractor Sun Yi for FY2017 and 4M2018, both of which are owned by the same shareholder ("**Relevant Sub-contractor Group**"), under on-site sub-contracting arrangements. The Relevant Sub-contractor Group is a handbag manufacturer based in Dongguan and also has its own production facilities. Based on the information provided by the Relevant Sub-contractor Group and the understanding of our Directors, (i) the Relevant Sub-contractor Group has a registered capital of around RMB1 million and around 600 to 700 workers, including the manufacturing workers working in our Dongguan Factory from time to time, and (ii) based on the unaudited management accounts of the Relevant Sub-contractor Group, it recorded aggregate revenue of over HK\$55 million for the seven months ended 31 July 2017 and had aggregate total assets of over HK\$25 million as at 31 July 2017. Our Directors confirmed that it first acquainted with the Relevant Sub-contractor Group as its factory in Dongguan was in close proximity with our Dongguan Factory. In view of the increasing labour costs in the PRC, our Directors contemplated the use of sub-contracting arrangements to increase flexibility on staffing and save costs on human resources management. Our Group first engaged the Relevant Sub-contractor Group for off-site sub-contracting arrangements and selected it for on-site

BUSINESS

sub-contracting arrangements subsequently because it had provided products of satisfactory quality to us in our past transactions. The Relevant Sub-contractor Group also manufactures our products for us under off-site sub-contracting arrangement and had over seven years of business relationship with us as at the Latest Practicable Date. According to the F&S Report, it is industry norm for handbag manufacturers in the PRC to have on-site sub-contracting arrangements. Our Directors confirm that there is no foreseeable material difficulties in finding alternative sub-contractors in the event that the Relevant Subcontractor Group ceases to provide such services to us.

We do not enter into long term agreement with the Relevant Sub-contractor Group in order to maintain flexibility. As part of our pre-production planning after receiving an order from our customer, we place order to our sub-contractors on need basis, and specify details such as delivery schedule, quantity, unit price, payment and credit terms. For FY2015, FY2016, FY2017 and 4M2018, sub-contracting fees paid to the Relevant Sub-contractor Group in relation to on-site sub-contracting arrangements were HK\$31.5 million, HK\$27.9 million, HK\$38.1 million and HK\$12.8 million, respectively, which represented 6.6%, 5.7%, 7.1% and 6.9% of our total costs of sales for the corresponding financial period.

Sub-contractors for off-site sub-contracting arrangements

In addition to on-site sub-contracting arrangement, we also engage sub-contractors to fulfil our customers' orders through off-site sub-contracting arrangements. We have 32, 65, 58 and 26 sub-contractors under such arrangements for FY2015, FY2016, FY2017 and 4M2018, respectively, so that we have alternative sub-contractor if one of them are unable to allocate the requested manufacturing capacity to us. Our sub-contractors are mainly handbag manufacturers based in Dongguan. Ms. Zhang, a previous shareholder and director of Wah Sun Cambodia, was the owner of one of our sub-contractors during the Track Record Period. Similar to on-site sub-contracting arrangements, we do not enter into long term agreement with sub-contractors but engage them on order-by-order basis to maintain flexibility based on our production needs.

During the Track Record Period, we generally provide raw material to a sub-contractor if it was engaged to conduct part of the production process and generally do not provide raw material to a sub-contractor if it was engaged to manufacture the entire product. Where raw material is provided by us, we pay the relevant sub-contractor a sub-contracting fee calculated based on the quantity of the relevant order. For FY2015, FY2016, FY2017 and 4M2018, sub-contracting fees paid to our sub-contractors under off-site sub-contracting arrangement were HK\$69.3 million, HK\$78.8 million, HK\$63.5 million and HK\$9.3 million, respectively. Where no raw material is provided by us, we pay the relevant sub-contractor the price for the entire handbag manufactured. The sum we pay to the relevant sub-contractor is calculated based on quantity of handbag we ordered, and for FY2015, FY2016, FY2017 and 4M2018, expenses in relation to such arrangements were HK\$132.6 million, HK\$83.2 million, HK\$65.8 million and HK\$27.0 million, respectively.

Supplier and Sub-contractor Selection

Our customers generally provide us with an approved suppliers list for certain principal raw materials such as PU, PVC and printed textiles and we are required to procure such raw materials only from suppliers on list. For other raw materials, we select our suppliers taking into account factors such as price, quality, reliability, lead time and our past experience when conducting business with them. We maintain our own approved suppliers list and evaluate potential suppliers before listing them as our approved suppliers. We generally maintain a few suppliers for each type of major raw materials on our approved suppliers list to avoid shortage or delay in supply. We generally obtain price quotes from all suppliers of metal components due to volatility in prices. For other raw material, we generally only obtain price quotes from alternative suppliers if the commonly used supplier cannot supply the required goods at our target price.

We select our sub-contractors taking into account factors such as price, reliability, manufacturing capacity, lead time, the style of handbag and our past experiences when conducting business with them. Our customers are aware of our off-site sub-contracting arrangements where the entire product is manufactured by our sub-contractors. Together with our customers, we evaluate the production facilities of our sub-contractors used for manufacturing our products and conduct quality control on the products at their production facilities.

PROCUREMENT

Raw Materials

Our principal raw materials include PU, PVC, fabric, fabric lining, reinforcement material, metallic components such as clamps, hooks, buckles and zippers. We generally refer to PVC and PU as synthetic leather or imitated leather, which is the primary surface material used for manufacturing of our products. We also use fabric as a primary surface material as well as lining of our products. Depending on the design, our customers may also use surface material such as PVC, PU impressed with patterns or brand logos. In such cases, we have to purchase the impressed PVC or PU from the designated suppliers of the customer.

Procurement Process

As the principal material used for manufacture our products have to be agreed with our customers in the specifications, we generally purchase raw material after order is placed by our customers. For certain commonly used raw material such as reinforcement material for PU and PVC, we maintain an inventory sufficient for our monthly production needs. We believe that procurement practice minimises excessive or obsolete raw materials while avoiding delay in production due to shortage or delay in supply of raw material. Since most of the principal raw materials used in our production are readily available in the market in PRC, we have not entered into any long-term supply contracts with our suppliers. During the Track Record Period, we have not experienced any material difficulties in sourcing materials or components for our production which results in disruption of production with adverse material impact on our results of operation and financial conditions.

BUSINESS

Our procurement department procures raw material for Dongguan Factory and Cambodia Factory and as the case may be, our sub-contractors, and such raw material are subject to inspection before they are further processed for manufacturing use. We may also purchase packaging material for our sub-contractors. Our Cambodia Factory purchases its own packaging materials locally.

As part of the costing exercise, we obtain price quotes from raw material suppliers and will negotiate with our customers on adjusting the ex-factory price or using alternative material if the price quotes obtained from suppliers indicate that the customer's target ex-factory price cannot be met. As such, we are generally able to transfer increase in raw material price costs to our customers.

Credit and payment terms

We generally obtain credit period of 30 to 90 days from our raw material suppliers and our sub-contractors. Payment for our purchases from suppliers in the PRC and sub-contracting fees are generally settled in HK dollars, while purchases from overseas suppliers were generally settled in U.S. dollars during the Track Record Period. We generally settle our payments by telegraphic transfer.

INVENTORY, LOGISTICS AND WAREHOUSING

Inventory Control

Raw materials

It is our practice to maintain an inventory level for one month production needs of certain raw materials, such as reinforcement material for PU and PVC, that are common and required for production of most of our products. Other than such auxiliary manufacturing materials, we normally source our raw materials for use in production when we receive purchase orders from our customers in order to avoid accumulating large inventories of raw material. We also try to coordinate the time of delivery of the raw materials we purchase in accordance with the delivery schedule of our products as agreed with our customers so as to minimise the time we have to store raw materials prior to production.

We use an inventory management software for the management of our inventories. The inventory management software strengthens our ability to ensure that our inventory records are up-to-date and are properly and accurately kept for the purpose of monitoring the quantity and movements of inventories. Our inventory management software records the quantity and types of materials required for production and assist our personnel to conduct costing exercise. Our procurement team sources the materials required at the price and in the quantity as shown in the system. We believe that this will enable us to follow the procurement orders closely and avoid excessive or obsolete materials. Materials used in the production processes are also closely monitored and recorded by our staff. Personnel in the workshop collects materials required according to the production schedules with an aim to reduce waste of raw materials in the production processes.

BUSINESS

We also carry out inventory counts annually and the results are reconciled with the computerised inventory records. Our inventories are locked in the warehouses and are guarded. Only authorised personnel are allowed access to these areas.

For each of the three years ended 31 March 2017 and 4M2018, the average inventory turnover days were 32 days, 31 days, 27 days and 34 days respectively. It is our policy to make provisions for obsolete, excessive and slow-moving stocks, other than the materials that are common and required in most of our production processes. For FY2015, FY2016, FY2017 and 4M2018, no provisions for obsolete, excessive and damaged inventory was made. According to our books and records, there was no material loss or damage to inventories during the Track Record Period.

Finished goods

As our products are made to order, we do not generally maintain a finished good inventory.

MARKET AND COMPETITION

The North America and Europe markets are the largest markets for our products. For FY2015, FY2016, FY2017 and 4M2018, sales of our products that are exported to North America accounted for 87.5%, 76.3%, 71.5% and 68.5%, respectively, of our total revenue and sales of our products that are exported to Europe accounted for 3.7%, 12.5%, 17.5% and 23.6%, respectively, of our total revenue. All our customers during the Track Record Period are brand owners, brand licensees or their sourcing companies. Please see “Industry Overview” section for details of the market we operate in.

Our Directors believe that competition in the handbag OEM industry is based upon various factors including quality of the products, product development and price. We believe that our experienced management team, our long-standing history and good reputation in the industry, our ability to produce products with different materials and styles, well established quality control system and stable business relationship with our customers offer us competitive advantages over our competitors.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Our operations in the PRC and Cambodia are subject to environmental laws and regulations of the PRC and Cambodia, respectively, which include the environmental protection law as well as laws and regulations in relation to work safety in the PRC and Cambodia. We are also subject to monitoring by local environmental and work safety authorities of the PRC and Cambodia. Please see “Regulatory Overview” for more details on the laws and regulations applicable to our operation. Our Group may be subject to fines, suspension of business or cessation of operations if there is any significant failure to comply with present or future laws and regulations.

Health and Work Safety

We have implemented measures to address potential risks relating to work safety and health, such as conducting training and circulating operation manuals of production process to enhance our employee's awareness of safety and health issues at work, and inspecting the safety conditions of our factories from time to time. Appropriate protective gears are also provided to staff operating cutting machines, sewing machines or using adhesives in the assembly process.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged disruption of production due to equipment failure and we did not experience any severe accidents during our production process which caused material adverse effect on our Group's financial condition and results of operations.

Environmental matters

The main raw materials of our Group's products are PVC, PU, fabrics, metal components which are purchased from suppliers and our Group does not produce such raw material. We are required by our customers to procure raw materials that comply with the environmental and safety standard of the relevant export destination. During our Group's production of handbags, sewing is the major steps which only involve the operation of sewing and related machines by the workers, and accordingly, there is minimal waste discharge, noise, water or air pollution. Our Directors confirm that during the Track Record Period we have substantially complied with the guidelines imposed by our customers relating to environmental conditions.

PRC

Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material effect upon our business, financial condition or results of operations. During the Track Record Period, we had not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations in the PRC. In addition, our Directors confirm that as at the Latest Practicable Date, there were no threatened or pending actions by any environmental regulatory authority known to the Directors to be against our Group in the PRC.

Cambodia

Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material effect upon our business, financial condition or results of operations. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no threatened or pending actions by any environmental regulatory authority known to the Directors to be against Wah Sun Cambodia.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Group is committed to supporting sustainable development, corporate social responsibilities and social governance and has identified various key issues in respect of environmental, social and governance responsibilities. The information set out below not only serves as a summary of the environmental and social initiatives of our Group but also forms the basis for our Group to map out short-term and long-term strategies for sustainable development.

Environmental Protection

Emission Management

Our Group's manufacturing process does not involve wastewater discharge or material air pollutant emission. Scraps produced from cutting and trimming of raw materials or components account for the majority of our production waste which are non-hazardous solid waste. Our Group has formulated an environmental management policy covering the optimization of manufacturing procedures and the training of employees to minimize the production of waste. On grounds of the said policy, the waste materials are segregated, reused and recycled where practicable with the last remaining scraps delivered to qualified companies for disposal after declaration to customs.

Under our environmental management policy, hazardous waste, such as obsolete computers, used batteries and waste cartridges, is delivered to qualified recycling companies, non-hazardous waste is transferred by municipal sanitation department for further disposal and printed paper without confidential information is sent to waste paper recycling companies.

Sustainable Operation

Apart from emission management, our Group has also recognised the importance of sustainability in its daily operation and thereby implemented various measures to promote energy conservation and reduce the consumption of resources, including:

- encouraging the use of light-emitting diode (LED) lights instead of traditional lights and dividing the indoor areas into different light areas with independent switches;
- reminding employees to switch off lights and electric devices when leaving workplaces;
- maintaining air-conditioning system regularly to improve its work efficiencies and setting appropriate temperature;
- encouraging employees to reuse paper and print on both sides; and
- minimising product packaging across the production lines.

Please see paragraphs headed "Health, work safety and environmental matters – environmental matters" in this section for more details.

Employment and Labour Practices***Employment Policies***

With employees' welfare and development being the dominant concern, our Group is committed to providing employees with a fair and open working environment as well as strengthening their sense of belonging. We formulate our employment policies in accordance with the applicable laws and regulations regarding employment and labour practice, including the Labour Law of the PRC, the Labour Law of Cambodia and the Employment Ordinance of Hong Kong.

In line with the principles of fairness and consistency, employee recruitment is based on assessment of an applicant's ability and experience as well as job requirements. To prevent the use of child labour, applicants' identification documents are carefully checked to ensure they have reached the minimum age. Our Group embraces diverse workforce and is committed to prevent any form of discrimination. Employees, regardless of their race, gender, age, marital status or religion, have equal access to opportunities within our Group.

In order to retain top talents in the industry, our Group provides competitive remuneration for employees. An employee's remuneration package is determined on grounds of his or her qualification, position and seniority and is reviewed from time to time. Based on our human resources policy, performance evaluation is used as the basis for assessing the training demands and making other human resources policies such as promotion, position transfer and remuneration determination. Further, in accordance with the Social Insurance Law of the PRC, the Mandatory Provident Fund (MPF) Schemes Ordinance of Hong Kong and the Law on Social Security Schemes for Persons defined by the Provisions of the Labour Law of Cambodia, our Group makes contributions in relation to social insurance and housing provident fund for employees in PRC, MPF Schemes, medical insurance and labour insurance for employees in Hong Kong and occupational risk insurance and health care insurance for employees in Cambodia.

Development and Training

Different levels of on-the-job training will be provided for employees to broaden their skills and enhance their productivity if and when necessary, such as orientation, training on occupational health and safety, and training of experienced workers for our product development team. Through expansion of business, we provide promotion prospects and career development opportunities for our employees.

Health and Work Safety

Our Group pays high attention to employees' health and safety. Upon recruitment, our Group notifies new recruits of the basic information such as job contents, potential occupational hazards and safety production status in verbal or written form. Our Group also provides employees with training programs on work safety and conducts inspections and

BUSINESS

maintenance checks on our equipment. Please see paragraphs headed “Health, Work Safety and Environmental Matters – Health and Work Safety” in this section for details of the measures we have implemented to address potential risks relating to work safety and health.

Operation Management

Supply Chain Management

For details of our supply chain management, please see the paragraphs headed “Suppliers and Sub-Contractors – Supplier and Sub-contractor Selection” in this section.

Quality Control

For details of our quality control, please refer to the paragraphs headed “Quality Control” in this section.

Intellectual Property Protection

Our Group attaches great importance to the protection of privacy. With an aim to protect the intellectual property rights of our customers, we have adopted a policy to protect confidential information arising out of our business operations. For details, please see the paragraphs headed “Intellectual Property”.

Anti-corruption

It is our Group’s consistent belief that honesty and integrity are among the most important moral conducts. With an aim to control our risk exposure in relation to corruption associated with our Group’s operations in Cambodia, we have adopted integrity and anti-corruption policies in compliance with Cambodian Anti-Corruption Law. For details, please see the paragraphs headed “Internal Control and Risk Management – Internal Control Measures in relation to corruption risks in Cambodia” in this section.

Community Investment

While focusing on its development and growth, our Group also actively fulfills its social responsibilities by making donations to recognised charitable organisations from time to time. During the Track Record Period, our Group has contributed to the community and helped those in need by donating to relevant charity organisations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are in the process of applying for eight registered trademarks in the PRC and have registered four trademarks in Hong Kong which are material to our business. Our Directors are not aware of any material infringement or intellectual property rights incident during the Track Record Period. Further details of our intellectual property rights are set out in the paragraph headed “2. Intellectual property rights” in Appendix IV.

BUSINESS

As at the Latest Practicable Date, we are not aware of any claims in relation to infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. We believe we have taken reasonable measures to prevent infringement of the intellectual property rights of our customers. With an aim to protect the intellectual property rights of our customers, we have adopted a policy to protect confidential information arises out of our business operations. We require all our staff to keep all classified information confidential. Copying of information of our group, our staff and/or our customers by our staff without cause are strictly forbidden.

PROPERTIES

As at the Latest Practicable Date, we leased a total of three parcels of land in the PRC and Cambodia on which our production plants were established. We own all our production plants in the PRC and Cambodia and leased our principal place of business in Hong Kong. For all our leases, we have occupied the leased land or premises in accordance with the land use/purposes stated in the respective tenancy agreement.

The following table sets out a summary of land and properties leased, owned or constructed by us as at the Latest Practicable Date:

Leased Land

Address	Permitted use of land	Usage by our Group	Area (sq.m.)	Expiration of lease	Identity of Landlord
1. Bostaney village, Kaheng commune, Samrong Tong district, Kampong Speu province, Cambodia (“ Cambodia Leased Land ”)	office/factory/production facilities ⁽¹⁾	Production, warehouse, dormitory	62,493 ⁽²⁾	31 March 2022 ⁽³⁾	Dong Yan (董燕), a director of Wah Sun Cambodia
2. Fenghua Road Fushan management district, Liaobu Town, Dongguan, the PRC (東莞市寮步鎮鳧山管理區豐華路) (“ Dongguan Leased Land ”)	Industrial	Production, warehouse, dormitory	17,841	25 December 2025	Fushan village committee (鳧山村委會)

Notes:

- Such use of land is permitted under the lease agreement entered into between Wah Sun Cambodia and Ms. Dong Yan on 5 July 2017 in respect of this piece of land. As advised by our Cambodia Legal Adviser, such use of land is not prohibited under Cambodian law.
- This is the aggregate area of the parcels of land identified by two certificates of title No. 05070213-0152 and No. 05070213-0453.
- Pursuant to the lease agreement entered into between Wah Sun Cambodia and Ms. Dong Yan on 5 July 2017 in respect of this piece of land, Wah Sun Cambodia was granted the right to renew the lease for an additional term of five years, by three-month written notice to Ms. Dong Yan, subject to the same terms and conditions, save for the rent of the renewed term to be based on the market value and determined by an independent and licensed real estate valuer jointly appointed by the lessor and lessee.

BUSINESS

Self-owned properties located at Dongguan Leased Land

No.	Description	Usage by our Group	Approximate gross floor area (sq.m.)
1.	Production plant A	production	14,921.6
2.	Production plant B	production	2,464.2
3.	Staff quarter A	dormitory	4,083.8
4.	Staff quarter B	dormitory	4,663.9
5.	Staff quarter C	dormitory	432.0

Properties constructed on Cambodia Leased Land

Our Cambodia Factory comprised constructed properties including production plants, office, warehouses and ancillary facilities such as dormitories and canteen which have an aggregate site area of 31,712 sq.m. Among the above constructed properties, production plants and warehouses have an aggregate site area of 28,407 sq.m.

Usage of building	Approximate site area (sq.m.)
Production plant	18,048
Warehouse	10,359
Others(*)	3,305

Note:

(*) Others mainly include office, staff canteen and dormitory

As advised by our Cambodia Legal Advisers, under the Cambodian Civil Code, things that are attached to the land such as constructed buildings are considered as components of the land. There is no registration system of building separate from land. Also, under the Cambodian Civil Code, a lessee who constructs the building on the leased land is entitled to ownership of the building during the term of the lease. Although the Civil Code provides for such entitlement, there is no specific building title to evidence the ownership of building and such entitlement is largely governed by contractual relationship between the lessee and lessor.

BUSINESS

Pursuant to the lease in respect of the Cambodia Leased Land entered into between Wah Sun Cambodia, as lessee, and Ms. Dong Yan, as lessor, the properties constructed and to be constructed by Wah Sun Cambodia during the term of the lease (“**Buildings**”) are owned by Wah Sun Cambodia during the term of the lease. Wah Sun Cambodia is granted the right to renew the lease for additional term of five years, by three-month written notice to Ms. Dong Yan, subject to the same terms and conditions, save for the rent of the renewed term to be based on the market value and determined by an independent and licensed real estate valuer jointly appointed by the lessor and lessee. In the event that the lease is terminated or expires, pursuant to the lease, Wah Sun Cambodia, as the lessee, has the option to: (1) vacate the leased land and receive compensation from Ms. Dong Yan, as the lessor, for the Buildings; or (2) demolish the Buildings and not receive any compensation from Ms. Dong Yan, as the lessor. As advised by our Cambodia Legal Advisers, such arrangements mean that Wah Sun Cambodia, as the lessee, has ownership rights over the Buildings during the term of the lease, and on the expiry date or termination of the lease, the lessee has the right to remove and demolish the Buildings or otherwise to be compensated by the lessor, Ms. Dong Yan, for the Buildings.

Leased property in Hong Kong

Address and description of location	Usage by our Group	Approximate Gross floor area (<i>sq.m.</i>)	Expiration of lease	Identity of Landlord
Workshop 8, 6/F, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Showroom, workshop and ancillary office	250.0	31 March 2020	Ma Lan Chu and Yung Ngan Sim (翁銀嬋)
Workshop 9, 6/F, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Showroom, workshop and ancillary office	112.3	31 March 2020	Ma Lan Heung and Chan Sim Kuen (陳嬋娟)

BUSINESS

Cambodia

We currently leased two parcels of land identified by two certificates of title No. 05070213_0152 and 05070213_0453 in the site area of approximately 62,493 sq.m. in Cambodia on which our Cambodia Factory was established. Our rental expenses in respect of the Cambodia Leased Land for FY2015, FY2016 and FY2017 were US\$108,000, US\$113,000 and US\$120,000, respectively. On 5 July 2017, Wah Sun Cambodia entered into a lease (“**Cambodia Land Lease**”) with Ms. Dong Yan in respect of the Cambodia Leased Land. Pursuant to the lease, the monthly rent for the Cambodia Leased Land is USD32,000 and the term of lease expires on 31 March 2022. Under the Cambodia Land Lease, Wah Sun Cambodia was granted the right to renew the lease for an additional term of five years, by three-month written notice to Ms. Dong Yan, subject to the same terms and conditions, save for the rent of the renewed term to be based on the market value and determined by an independent and licensed real estate valuer jointly appointed by the lessor and lessee. As advised by our Cambodia Legal Advisers, the Cambodia Land Lease constitutes legal and binding obligations between the parties thereto and is enforceable in accordance with applicable Cambodian law. Pursuant to the Cambodia Land Lease, Wah Sun Cambodia is permitted to construct factories and other buildings on the Cambodia Leased Land and as advised by our Cambodia Legal Advisers, such use is not prohibited under Cambodian law. The lease amounts to continuing connected transactions of our Group, further details of which were disclosed in the “Continuing Connected Transactions” section.

As at the Latest Practicable Date, we have established production plants, warehouses, office and certain ancillary facilities, which as a whole made up our Cambodia Factory. The total site area of our Cambodia Factory was approximately 31,712 sq.m. As advised by our Cambodia Legal Advisers, we have obtained all material licences, permits and approvals necessary to engage in the production of handbags in the Cambodia Factory.

PRC

We currently leased the one parcel of land in the aggregate site area of 17,841.2 sq.m. in Dongguan on which our Dongguan Factory was established. Our rental expenses in respect of that parcel of leased land was HK\$44,000 for each of FY2015, FY2016 and FY2017. The plot of land is collectively owned land held by the village committee of Fushan village. In December 1997, the village committee of Fushan village has granted Dongguan Quickmind (then known as 東莞華新手袋廠有限公司 Dong Guan Huasing Bag Manufactory Co. Ltd.*) the right to use the Dongguan Leased Land with a term expiring on 25 December 2025 at the consideration of approximately RMB1.37 million (“**Consideration**”). As advised by our PRC legal adviser, the village committee of Fushan village was issued a collective land use certificate (《集體土地使用證》) which specifies that the land is for industrial use. Pursuant to the Dongguan Land Lease, the term of lease will expire on 25 December 2025 and the rent for the entire term has been fully settled by payment of the Consideration and no additional rent is payable by Dongguan Quickmind under the Dongguan Land Lease. As advised by our PRC legal adviser, the Dongguan Land Lease is legal and binding during the term of the lease and the lease of Dongguan Leased Land, being collectively owned land, will not cause any material adverse impact to the operations of the Group.

BUSINESS

As at the Latest Practicable Date, we own two production plants and three dormitories, which together made up our Dongguan Factory. The total gross floor area of our Dongguan Factory was approximately 26,565.5 sq.m. As advised by our PRC Legal Advisers, our title to the properties comprising our Dongguan Factory are valid and we have obtained the ownership certificate, and are entitled to use it legally and will not cause any material and adverse impact to the business of the company operation.

Hong Kong

We currently lease two premises with an aggregate gross floor area of approximately 362.3 sq.m. at Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong to support our business operations. The lease amounts to continuing connected transactions of our Group, and further details were disclosed in the “Continuing connected transactions” section.

INSURANCE

As at the Latest Practicable Date, we have maintained insurance coverage in relation to our business that is adequate and customary for our industry, including insurance on inventory and employees’ compensation insurance. We are not aware of any material claim on any insurance policy maintained by us during the Track Record Period.

We are obliged to provide social insurance for our PRC employees as required by the PRC social security regulations. As at the Latest Practicable Date, we are subject to mandatory social security insurance applicable to our employees in Cambodia, which includes occupational risk insurance (work-related accidents and occupational disease) and health care insurance. We have also taken out insurances for our employees in Hong Kong as required by the relevant Hong Kong laws.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had a workforce of over 4,750 employees for our operations, which is supplemented by the manufacturing workers in our Dongguan Factory under sub-contracting arrangement with one of our sub-contractors.

The following is a breakdown of our workforce by functions:

Function	Number of employee
Procurement	9
Product development and prototype development	110
Production	4,658
Quality control	113
Sales and business	37
Warehouse and logistics	50
Administration, finance and human resources	64
Total:	5,041

Among all our employees, 21, 259 and 4,761 are located at Hong Kong, the PRC and Cambodia, respectively.

Remuneration

Our management participates in the performance evaluation of our employees and conduct salary reviews. Our Cambodia Factory and Dongguan Factory maintain appropriate internal standards and workplace practices. We maintain good working relationships with our workforce. It is also our policy to provide them with proper training, and competitive compensation and incentives. Through expansion of business, we provide promotion prospects and career development opportunities for our employees. As at the Latest Practicable Date, we had not experienced any material strikes or any disputes with our workforce which would have any material adverse impact on our business.

Prohibition on Child Labour

Cambodia has ratified the International Labour Organization's Standards on Child Labour, in particular, the Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labour Convention, 1999 (No. 182). As advised by our Cambodia Legal Advisers, the minimum age for admission to employment under Cambodia law is 15, except for certain types of work set out in the Labour Law of Cambodia. Please see "Regulatory Overview – Regulatory requirements in Cambodia – Laws and regulations relating to labour and employment" section for details of applicable child labour laws in Cambodia.

BUSINESS

Some of our end customers are multinational fashion brands and have their own sets of guidelines and code of conduct governing labour law compliance. In general, our major customers require us to observe the following guidelines in respect of the prohibition of use of child labour (“**Guidelines**”):

- (i) fully comply with all applicable national and/or local laws and regulations, including but not limited to those related to child labour and juvenile workers (if any);
- (ii) do not employ child labour, which is generally defined as person below the age of 15 or 16. If local legislation defines a higher age, the higher age limit shall be respected; and
- (iii) prohibit any juvenile worker, which is generally defined as persons between the ages of 15 or 16 and the age of 18, to work overtime, night shifts or in hazardous conditions.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with child labour related laws (including the International Labour Organisation’s Standards on Child Labour ratified by Cambodia as set out in “Regulatory Overview – Regulatory requirements in Cambodia – Laws and regulations relating to labour and employment” section) and the Guidelines in all material respects. Further, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints, claims or legal actions from our customers or otherwise in relation to our Group’s compliance with child labour related laws or the Guidelines. To ensure ongoing compliance with relevant laws and the Guidelines, we have adopted the following policies and measures to help us to ensure ongoing compliance with relevant laws and the Guidelines:

- (i) employment of any person below the age of 18 is strictly prohibited;
- (ii) verifying the age of a job applicant before employing the applicant as our new worker;
- (iii) maintaining a copy of official verification document of the age of each employee’s date of birth; and
- (iv) co-operating with our customers for them to conduct inspection and audits on our production facilities.

WORKERS UNDER ON-SITE SUB-CONTRACTING ARRANGEMENTS

One of our sub-contractors provide us our manufacturing workers in Dongguan Factory. As advised by our PRC Legal Adviser, it is legal for the sub-contractor to arrange for its production workers to work at our Dongguan Factory under sub-contracting arrangement. As there is no employment contract entered into between the manufacturing workers provided by the sub-contractor and our Group, we do not have any obligation to pay salaries, social insurance and housing provident fund contributions under the PRC laws and regulations for the manufacturing workers provided by the sub-contractor.

BUSINESS

As advised by our PRC legal advisers, our on-site sub-contracting arrangements are different from and do not constitute labour dispatch arrangements, and are therefore not subject to laws and regulations applicable to labour dispatch arrangements. Under labour dispatch arrangements, parties generally agree on the number of workers, wages of the workers and the period of dispatch. A company that employs labour dispatch agency generally applies its human resources policy to the workers dispatched to it. The dispatched workers and the company's own workers receive equal wages for the same job and the wages of the dispatched workers are determined and borne by the company. Labour dispatch agency also generally receives a fee calculated based on the type and number of workers dispatched. While under our on-site sub-contracting arrangements, purchase orders are placed to the Relevant Sub-contractor Group and the Relevant Sub-contractor Group bears the responsibility to complete the sub-contracted products with its own workers. The human resources policy of Dongguan Quickmind does not apply to workers of the Relevant Sub-contractor Group and Dongguan Quickmind neither determine nor directly pay wages to the workers of the Relevant Sub-contractor Group. Sub-contracting fees are calculated based on the quantity of goods delivered to us.

LICENCES AND APPROVALS

The material certificates, licences and approvals specific to our business operations are set out below:

No.	Licence/Approval/permit/certificate	Issuing authority	Date of issue/ approval	Expiry date
<i>In Cambodia</i>				
1.	Approval No. 221 on Factory Establishment Permit (“ Factory Establishment Permit ”)	Ministry of Industry and Handicraft (formerly known as the Ministry of Industry, Mines and Energy) (“ MIH ”)	18 March 2013	N/A
2.	Certificate No. 3588 for Factory Operating License (“ Factory Operating Licence ”)	MIH	11 July 2017	11 July 2020
3.	Use of Chemical Substance Certification No. 138	MIH	14 February 2017	9 February 2018
4.	Approval No. 157 on Environmental Protection Agreement	Ministry of Environment (“ MOE ”)	20 March 2013	N/A
5.	Permit on Discharge of Treated Liquid Waste No. 205	MOE	21 February 2017	17 January 2018
6.	Permit on Discharge of Solid Waste No. 109	MOE	25 January 2017	28 January 2018
7.	Air and Noise Pollutant Certification Letter	MOE	26 June 2017	1 July 2018

BUSINESS

Our Directors confirm that as at the Latest Practicable Date, to the best of their knowledge and belief, we had obtained all necessary approvals, permits, licences and certificates that are material to our business operations and have not been subject to non-renewal or conditional renewal of material licences and permits from the relevant government authorities.

Notwithstanding that our Cambodia Factory commenced operations in 2013, we have only obtained the Factory Operating Licence in July 2014. The amount of revenue and net loss contributed by Cambodia Factory during 1 April 2014 (being the first day of the Track Record Period) to 31 July 2014, (being the relevant non-compliant period) were HK\$20.2 million and HK\$1.1 million, respectively. As advised by our Cambodia Legal Advisers, based on the Factory Establishment Permit, Wah Sun Cambodia must notify the MIH at least 15 days in advance and apply for a factory operating licence before starting operation of the factory. Our Directors confirmed that the reason for failing to obtain the Factory Operating Licence in a timely manner was due to unfamiliarity with the laws and regulations of Cambodia as it happened when the Group first expanded its business to Cambodia. Wah Sun Cambodia has applied for the Factory Operating Licence subsequently and was first issued the Factory Operating Licence in July 2014. After that Factory Operating Licence expired in July 2017, it was successfully and timely renewed in July 2017 as disclosed above.

As advised by our Cambodia Legal Advisers, the Factories and Handicrafts Amendment Law of Cambodia does not contain any specific penalty for non-compliance with the requirement to obtain a factory operating licence, although Article 49 of the same law provides that non-compliance with Article 9 (regarding notification to the MIH before commencement of operation) is subject to a fine of up to 50,000,000 KHR (equivalent to approximately HK\$94,997). Given the above, this non-compliance incident would not result in the closure of Cambodia Factory or the revenue or profit of Wah Sun Cambodia during the relevant non-compliant period being forfeited.

The Cambodia Legal Advisers are of the view that the above issue is immaterial non-compliance on the basis that (i) there is no specific penalty provision under the applicable law or the Factory Establishment Permit with respect to failure to obtain a factory operating licence prior to commencement of factory operation; (ii) given the current practice of the relevant authorities, sanctions for such breach are rarely imposed; and (iii) Wah Sun Cambodia has recently obtained a renewed Factory Operating Licence on 11 July 2017 from the MIH, which is valid until 11 July 2020. The Group has adopted internal control measures with the aim to prevent omission to renew or obtain necessary permits or licences. Please see “Internal Control and Risk Management – Internal control measure to prevent the recurrence of the above systemic non-compliance incidents – In Cambodia” section for details of such measures. Taking into account (i) the view of our Cambodia Legal Advisers, (ii) the maximum amount of fine that may be imposed, and (iii) that we successfully obtained, in 2014, and recently renewed, in 2017, the Factory Operating Licence without being imposed with any penalty, our Directors are of the view that such historical incident does not and will not have any material financial or operational impact on us.

LEGAL AND COMPLIANCE

Business Activities with customers with Countries subject to International Sanctions as export destinations

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales of our products to customers with Lebanon, Serbia and Russia as export destinations, and we still carry out such business activities with the Relevant Customers. The amount of revenue generated from sales to the Relevant Customers for FY2015, FY2016, FY2017 and 4M2018 was HK\$0.3 million, HK\$1.07 million, HK\$3.02 million and HK\$1.39 million, respectively, representing approximately 0.1%, 0.2%, 0.5% and 0.6% of our total revenue for the corresponding financial periods. Other than our sales to the Relevant Customers, we did not sell or deliver our products to customers in any Countries subject to International Sanctions.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

- (a) reviewed documents provided by us about our Group, our business operations, marketing efforts, revenues, sales contracts, customer lists, subsidiaries, branches, sales offices and representatives, ownership structure and management;
- (b) reviewed our list of customers during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of these customers is on such lists; and
- (c) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our Global Offering and the expected use of proceeds as set out in the Prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including the Company, the Company's investors, shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the Global Offering and accordingly, the sanction risk exposure to the Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Company's shares (including the Stock Exchange, its listing committee and related group companies) is very low.

BUSINESS

Our Directors confirm that we have not been notified of that any International Sanctions will be imposed on us for our sales to the Relevant Customers during the Track Record Period. None of the Relevant Customers are specifically identified on the Specially Designated Nationals and Blocked Persons by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

Our Directors do not expect any significant increase or decrease in our Group's sales to customers with Countries subject to International Sanctions as export destinations upon Listing.

Transfer Pricing Arrangements

During the Track Record Period, our operations were mainly in Hong Kong, the PRC and Cambodia. During the Track Record Period, Dongguan Quickmind and Wah Sun Cambodia were responsible for manufacturing of our products and mainly sell them to Wah Sun HK. Wah Sun HK and Union Gold were responsible for our sales to our customers. Wah Sun Cambodia and Dongguan Quickmind also procure raw materials from Wah Sun HK.

We have adopted transfer pricing arrangement among our group companies to regulate intra-group transactions and have taken various measures to ensure our compliance with relevant transfer pricing laws and regulations in jurisdictions where we operate, including (i) monitoring of implementation of internal control policy on tax-related matters; (ii) identification of updates on transfer pricing laws and regulations and assessment of related risks on our Group; (iii) regular review on transfer pricing policy and exposure; and (iv) designated our finance director to regularly monitor our pricing policy of intra-group transactions to ensure such transactions satisfied with the arm's length principle.

The selling prices of our products to third party customers were determined based on a number of factors set out in "Sales and Business Development – Pricing Policy" above. We adopted arm's length standard to determine the selling prices of the intra-group transactions among our Dongguan Factory, Cambodia Factory, Wah Sun HK and Union Gold after taken into account their respective responsibilities for driving the economic activity, such as manufacturing, product development, sales and distribution, etc. to apportion reasonable profits among these entities according to their roles and functions within our Group and the costs involved. Our management had been and will continue to closely monitor our transfer pricing arrangement described above by reviewing the reasonableness of the pricing policy of the intra-group transactions from time to time.

BUSINESS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have observed the transfer pricing laws and regulations of the relevant jurisdictions and we were not aware of any inquiries, audit or investigation by any tax authority in Hong Kong, the PRC and Cambodia as at the Latest Practicable Date with respect to the intra-group transactions. Based on the above, our Directors consider that the group entities involved in the intra-group transactions during the Track Record Period had achieved reasonable profits range and have complied with the arm's length principle. Please see "Financial Information – Description of selected items in Statement of Combined Income Statements – Transfer Pricing" for our transfer pricing arrangements for our intra-group transactions.

Material Dispute and Litigation

From time to time, we may be involved in litigation or other legal proceedings in the ordinary course of our businesses. Our Directors are not aware of any actual or threatened material legal or administrative proceedings and claims currently existing or pending against our Group as at the Latest Practicable Date. We have not been involved in any material intellectual property rights dispute or claims in relation to our product development or manufacturing.

Systemic Non-compliance

The following table sets forth certain incidents of historical non-compliance with certain laws and regulations in the PRC and Cambodia during the Track Record Period, which our Directors believe are systemic in nature.

In the PRC

Nature and extent of and reasons for the non-compliance

During the Track Record Period, Dongguan Quickmind did not make full contributions to social insurance scheme and housing provident fund based on the actual salaries of all its employees.

Potential maximum penalty/fine

As advised by our PRC Legal Advisers, if an employer fails to pay its social insurance contribution in accordance with relevant laws of the PRC, it may be ordered by the regulator to pay the overdue amount within a prescribed time limit and an overdue fine equivalent to 0.05% of the overdue amount per day may be imposed. If the employer still fails to pay within the prescribed time limit, the regulator may impose a fine of one to three times of the overdue amount.

As advised by our PRC Legal Advisers, if an employer fails to pay its housing provident fund contribution in accordance with relevant laws and regulations of the PRC, the regulator may order for payment of contributions within a prescribed time limit, failing which the regulator may apply to the People's Court for compulsory enforcement of such payment.

As at 31 March 2017 and the Latest Practicable Date, the total overdue amount of social insurance and housing provident fund contributions was RMB1.0 million. The estimated overdue fine in respect of the above overdue amount of social insurance contribution was approximately RMB0.1 million.

Rectifications measures

We have already made provisions in the amount of RMB1.0 million in aggregate for the unpaid amount of social insurance and housing provident fund contributions during the Track Record Period. We believe such provision is sufficient to cover our liabilities in respect of the unpaid social insurance contribution.

Analysis of the risk to the Company

We have obtained letters of confirmation from the Liaobu sub-bureau of the Human Resources Bureau of Dongguan (东莞市人力资源分局) on 27 April 2017, confirming that, among others, we had not been penalised for violating the laws and regulations in relation to labour laws in the PRC since 1 January 2014 and that the sub-bureau has not received any complaint on Dongguan Quickmind in relation to labour matters and there was no record of legal or arbitration proceedings in relation to labour matters, in which Dongguan Quickmind was involved.

We have obtained a confirmation letter from the Dongguan Social Insurance Bureau (东莞市社会保障局) on 7 June 2017 that confirmed that Dongguan Quickmind did not omit to pay social insurance contribution and that it had not been penalised for violating the laws and regulations in relation to social insurance in the PRC from 1 January 2013 to 31 May 2017.

Nature and extent of and reasons for the non-compliance

The reasons for non-compliance in respect of social insurance scheme contribution were (i) certain relevant employees did not perform the relevant procedures to transfer the social insurance accounts after leaving Dongguan Quickmind; and (ii) certain relevant employees were reluctant to participate in the social insurance scheme. Our Directors believe that such reluctance was due to the employee's concern that they may not be able to obtain payment from their social insurance scheme if they leave Dongguan.

The reasons for non-compliance in respect of housing provident fund contribution were (i) that Dongguan Quickmind provided free housing accommodations to its employees; and (ii) certain relevant employees were reluctant to participate in the housing provident scheme.

Potential maximum penalty/fine

Rectifications measures

In addition, pursuant to the terms and condition of the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules or regulations concerning social insurance and housing provident fund contributions, to the extent that such amount of contribution has not been reflected from the provision made in the audited consolidated accounts of our Company for the Track Record Period.

Dongguan Quickmind has undertaken to take steps to comply with social insurance and housing provident fund related laws and regulations from July 2017.

Analysis of the risk to the Company

We have obtained a confirmation letter from Dongguan Housing Provident Fund Management Centre (东莞市住房公积金管理中心) on 9 June 2017 that Dongguan Quickmind has made contribution to housing provident fund and there was no record of material violation of applicable laws and regulations.

Employees of Dongguan Quickmind have provided confirmation dated 16 June 2017 that, among others, he/she will not make claim in respect of social insurance or housing provident fund to Dongguan Quickmind by means such as complaint, labour arbitration and litigation.

As advised by our PRC Legal Advisers, Liaobu sub-bureau of the Human Resources Bureau of Dongguan, Dongguan Housing Provident Fund Management Centre and Dongguan Social Insurance Bureau have the authority and are competent to make the aforesaid confirmations and the risk of our Group being penalised due to material violation of relevant laws and regulation for the aforesaid non-compliance matter is low.

Based on the facts that (i) we have received letters of confirmation from competent authorities; (ii) as at the Latest Practicable Date, we had not received any order from the competent authorities requesting us to settle any overdue social insurance or housing provident fund contributions; (iii) our PRC Legal Advisers are of the view that the possibility of our Group being penalised due to material violation of relevant laws and regulation the above incidents is low; and (iv) the rectification measures being taken and to be taken our Directors are of the view that such historical incidents do not and will not have any material financial or operational impact on us.

In Cambodia

Nature and extent of and reasons for the non-compliance

Wah Sun Cambodia has not obtained construction permit, permit for opening the construction site and/or a permit for closing the construction site or certificate of correctness (where applicable) (“**Relevant Permits**”) in relation to certain buildings completed and/or under construction on its leased land in Cambodia. Such buildings include production plants, warehouses and other ancillary facilities such as a senior management house and storage room for back up power generators with an aggregate site area of approximately 6,789.1 sq.m. (“**Completed Buildings**”), and the buildings under construction in the first phase of our expansion plan in Cambodia, namely, the buildings identified as New Production Plant 1 and New Office in the paragraphs headed “Our Business Strategies – Enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia” (“**Buildings Under Construction**”).

Potential maximum penalty/fine

As advised by our Cambodia Legal Advisers:

- (i) Under Article 1 of Sub-Decree 86 on Construction Permits dated 19 December 1997 (“**Sub-Decree 86**”), a construction permit must be issued prior to the commencement of construction. Article 2 of Sub-Decree 86 requires that a construction permit be obtained for any new construction;
- (ii) Articles 18 and 21 of Sub-Decree 86 require the owner of construction to obtain a permit for the opening of a construction site before starting construction work and a permit for closing construction site before the commencement of operations in the constructed building;
- (iii) Article 52 of Sub-Decree 42 on Urbanization of the Capital, Municipalities, and Urban Areas dated 3 April 2015 (“**Sub-Decree 42**”) states that construction on land must be undertaken pursuant to the relevant construction permits and other related regulations;
- (iv) under Article 24 of Sub-Decree 86, construction started prior to the issuance of a construction permit by the competent authority is deemed illegal and must be stopped immediately. Further, any violation of the instructions or order of the competent authorities can result in (1) the construction equipment and materials being confiscated; and (2) in the event of repeated offenses, the company being subject to judicial proceedings and a fine;
- (v) under Articles 69, 71 and 72 of Sub-Decree 42, the following additional sanctions may be imposed: (1) for absence of a construction permit, 80,000 KHR (equivalent to HK\$151.9) per 1 square metre of constructed area; (2) for absence of a permit for opening construction site, 1,000,000 KHR (equivalent to HK\$1,899.3); and (3) for absence of a permit for closing construction site, 1,000,000 KHR (equivalent to HK\$1,899.3); and
- (vi) other than the above monetary fines, under Sub-Decree 42, in serious circumstances, there are additional sanctions including demolition of the constructed buildings or prohibition or suspension of the operations at the constructed buildings.

Rectification measures

As at the Latest Practicable Date, we have obtained the construction permit and the permit for opening a construction site for certain production plant and warehouse among the Completed Buildings and all Buildings Under Construction with an aggregate site area of approximately 4,884.0 sq.m.. We are in the process of applying for the outstanding Relevant Permits for the Completed Buildings with the Ministry of Land Management, Urban Planning and Construction (“**MLMUPC**”).

As advised by our Cambodia Legal Advisers, based on their experience, (i) it will take around 6 months for the MLMUPC to process and, if approved, to issue a construction permit; and (ii) assuming that each of the Completed Buildings and Buildings Under Construction complies with all technical requirements and restrictions set out in all applicable construction regulations and subject to the filing of all required construction permits application documents with the competent authorities, there is no foreseeable material legal impediment for obtaining the Relevant Permits from the competent authorities.

Our Controlling Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules or regulations concerning the obtaining of the construction permit, permit for opening the construction site and/or a permit for closing the construction site or certificate of correctness, to the extent that such amount of contribution has not been reflected from the provision made in the audited consolidated accounts of our Company for the Track Record Period.

Analysis of the risk to the Company

As advised by our Cambodia Legal Advisers, based on their experience to date, the risk that the MLMUPC will issue a demolition or suspension order to Wah Sun Cambodia with respect to the Completed Buildings having no Relevant Permits is low on the basis that there are no official records for such enforcement and based on their knowledge of the authorities’ current practice in relation to unauthorised buildings in Cambodia.

In the unlikely event that a demolition order or suspension order is imposed:

- (i) on production plant and warehouses, as the aggregate area was relatively small, the relevant production units can be moved to other production plants and alternate storage spaces are available within the Cambodia Factory;
- (ii) on the senior management house, we consider that alternative accommodation arrangements can be made for the senior management without practical difficulty; and
- (iii) on storage room for back up power generators, the generators can be stored in warehouses within the Cambodia Factory.

Nature and extent of and reasons for the non-compliance	Potential maximum penalty/fine	Rectification measures	Analysis of the risk to the Company
<p>Our Directors confirm that Ms. Dong Yan, Ms. Ma Lan Chu and Mr. Ma Hing Ming and Ms. Ung Gech Buoy were responsible for obtaining the relevant construction permits and the non-compliance was due to unfamiliarity with the laws and regulations of Cambodia and inadvertent oversight.</p>	<p>As advised by our Cambodia Legal Advisers, the estimated maximum amount of potential fine that may be imposed by MLMUPC on Wah Sun Cambodia in respect of the failure to obtain the Relevant Permits was approximately 154.4 million KHR (equivalent to HK\$293,272.5).</p>		<p>Taking into account that (i) our Cambodia Legal Advisers are of the view that the risk of a demolition order or suspension order on the Completed Buildings having no Relevant Permits is low; (ii) we had suspended the construction works of the Buildings Under Construction until all relevant permits have been obtained; (iii) we are not aware of any demolition order, suspension order or fines having been imposed on the Completed Buildings and the Buildings Under Construction; (iv) we are in the process of obtaining the Relevant Permits; (v) our Cambodia Legal Advisers are of the view that there is no foreseeable material legal impediments in obtaining the Relevant Permits subject to the aforementioned assumption; (vi) our contingency plans as set out above in the unlikely event that such order(s) is/are imposed; and (vii) the Deed of Indemnity provided by our Controlling Shareholders, our Directors are of the view that there is no material financial and operational impact on us.</p>

BUSINESS

Our Directors also confirmed that to the best of their knowledge and belief, save as disclosed above, we are not aware of any material or systemic non-compliance with any applicable laws and regulations during the Track Record Period. Please see “Internal Control and Risk Management – Internal control measure to prevent the recurrence of the above systemic non-compliance incidents” for internal control measures adopted by us to help prevent the recurrence of the historical non-compliance incidents.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control measure to prevent the recurrence of the above systemic non-compliance incidents

In the PRC

We have adopted all of the following specific measures to help prevent the recurrence of the historical non-compliance incidents in respect of social insurance and housing provident fund contributions in the PRC:

- (i) our executive Director, Ms. Ma Lan Chu is responsible for overseeing social insurance and housing provident fund contributions and we have appointed our joint company secretary and financial controller Mr. Li Yat Tin Dominic to monitor the contributions; and
- (ii) Ms. Ma Lan Chu and certain employees who are responsible for social insurance and housing provident fund contribution have attended training provided by our PRC legal advisers regarding the requirements in respect of the social insurance and housing provident funds stipulated under the applicable laws and regulations of the PRC.

In Cambodia

We have adopted the following specific measures to help prevent the recurrence of the historical systemic non-compliance incident of Wah Sun Cambodia:

- (i) Ms. Ung Gech Bouy (“**Ms. Ung**”) was appointed as the compliance officer of Wah Sun Cambodia. Please see “Internal Control Measures in relation to corruption risks in Cambodia” section below for biographical details of Ms. Ung;
- (ii) Ms. Ung will be responsible for making arrangements to obtain and, where applicable, renew licences, approvals and permits in respect of the operations of Wah Sun Cambodia, including but not limited to those necessary for factory operation and new construction works of Wah Sun Cambodia;
- (iii) training has been provided to Ms. Ung and Mr. Li Yat Tin Dominic by our Cambodia Legal Advisers on the laws and regulations of Cambodia applicable to Wah Sun Cambodia; and

- (iv) our Directors confirm a legal adviser as to Cambodia law will be engaged to continue to provide legal advice and periodical training on regulatory and compliance topics to us upon Listing to ensure our on-going compliance with the relevant laws and regulations of Cambodia.

Having considered the above enhanced internal control measures, our Directors are of the view that the internal control systems are adequate and sufficient to prevent their recurrence, and the Sole Sponsor has no reason to disagree with our Directors' view in this regard.

Corporate Governance

Our Directors and risk management committee are responsible for the formulation of and overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover areas such as corporate governance, operations management, compliance matters, financial reporting, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

We have adopted the following internal control measures to enhance our corporate governance:

- (1) our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge;
- (2) we have established a risk management committee under the management of our Company, comprising our three independent non-executive Directors. Please see "Directors, Senior Management and Employees – Directors – Independent non-executive Directors" for their biographical details. The primary duties of our risk management committee are to deliberate risk management related policies and procedures, review the effectiveness and adequacy of risk management activities and to report such findings to the Board;
- (3) we have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems;
- (4) our Directors have attended a training session on 19 June 2017 conducted by our Hong Kong legal adviser on, among other things, the obligation, on-going corporate governance requirements and the duties of directors of a company listed on the Stock Exchange;

BUSINESS

- (5) we have appointed DBS Asia Capital Limited as our compliance adviser to advise us on compliance matters in relation to the Listing Rules; and
- (6) Our Directors confirm that we will engage a legal adviser as to Cambodia Law to continue to provide legal advice and periodical training on regulatory and compliance topics to us upon Listing to ensure our on-going compliance with the relevant laws and regulations of Cambodia.

Having considered the above enhanced internal control measures, our Directors are of the view that the internal control systems are adequate and sufficient in the circumstances, and the Sole Sponsor has no reason to disagree with our Directors' view in this regard.

Internal Control Measures in relation to corruption risks in Cambodia

In order to better monitor and oversee our Group's operations in Cambodia, we have appointed Ms. Ung Gech Bouy ("**Ms. Ung**") as the Compliance Officer of Wah Sun Cambodia, who reports directly to the senior management of our Group on regular basis. Ms. Ung graduated from the Vanda Institute in Cambodia with the degree of bachelor of accounting, and is proficient in Khmer, the official language in Cambodia, English and Chinese. She has worked in Wah Sun Cambodia since 2013 and is experienced in human resources and office administration matters. She has attended a training on legal and compliance matters provided by our Cambodia Legal Advisers on 29 June 2017.

With an aim to control our risk exposure in relation to corruption associated with our Group's operations in Cambodia, we have adopted an integrity and anti-corruption policies in compliance with Cambodian Anti-Corruption Law. Some of the major measures are as follows:

1. To conduct review with the management and the board members of Wah Sun Cambodia, to determine if they have engaged in misconduct relating to fraud, corruption, collusion or coercive practices in Cambodia.
2. To impose restrictions on the employment of, or other remunerative arrangements with, public officials, and with entities and persons associated or related to them, after their resignation or retirement, where such activities or employment relate directly to the functions held or supervised by those public officials during their tenure or those functions over which they were or continue to be able to exercise material influence.
3. To establish controls and procedures covering gifts, hospitality, entertainment, travel or other expenses to ensure that they are reasonable, do not improperly affect the outcome of a business transaction or otherwise result in an improper advantage being provided to counterparty.

BUSINESS

4. To maintain adequate records regarding payments made to and by Wah Sun Cambodia and any of its employees in the ordinary course of business.
5. To conduct properly documented, risk-based due diligence (including to identify any beneficial owners or other beneficiaries not on record) before entering into business relationship with a business partner, and on an ongoing basis, and to avoid dealing with contractors, suppliers and other business partners known or reasonably suspected to be engaging in any misconduct relating to fraud, corruption, collusion or coercive practices.
6. To ensure that any payment made to any business partner represents an appropriate and justifiable remuneration for legitimate services performed or goods provided by such business partner and that it is paid through bona fide channels.
7. To monitor the execution of all contracts to which Wah Sun Cambodia is a party in order to ensure, as far as is reasonable, that there is no misconduct relating to fraud, corruption, collusion or coercive practices in their execution.
8. To communicate to all personnel of Wah Sun Cambodia that they have a duty to report promptly any concerns they may have concerning Wah Sun Cambodia's integrity compliance policies, whether relating to their own actions or the acts of others. In particular, to provide channels for communication (including confidential channels) by, and protection of, persons not willing to violate the policies under instruction or pressure from hierarchical superiors, as well as for persons willing to report breaches of the policies occurring within our Group.
9. Where any misconduct relating to fraud, corruption, collusion or coercive practices are identified, to take reasonable steps to respond with appropriate corrective action and to prevent further or similar misconduct and other violations of the policies, including but not limited to reporting to the relevant authorities in Cambodia.

Ms. Ung, our Compliance Officer of Wah Sun Cambodia reports directly to the senior management of our Group regarding the compliance of our integrity and compliance policies. We will continue to look for suitable candidates to join our Company for overseeing compliance matters. In the event that we are able to find a more suitable person to oversee and monitor our compliance of the integrity and compliance policies, we will replace or supplement Ms. Ung with such person to ensure the operational effectiveness and continuous improvement of the policies.

In addition, our Company intends to engage a competent consultancy firm to conduct annual review of the political, social, investment and macro-economic risks in Cambodia after Listing and incorporate the review report in our Company's annual reports.

Internal Control Procedures in relation to sales to Countries subject to International Sanctions and Sanctioned Persons

As we intend to continue to sell our products to customers with Countries subject to International Sanctions as export destinations after Listing, we have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks. The following measures have been fully implemented as at the Latest Practicable Date:

- We have established a risk management committee. Their responsibilities include, monitoring our exposure to sanctions law risks and our implementation of the related risk management procedures. For the composition of our risk management committee, please see the paragraph “Internal Control and Risk Management – Corporate Governance”. Our risk management committee will hold meetings from time to time during each year;
- We will evaluate the International Sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions or with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review and approve all relevant business transaction documentation connected with Countries subject to International Sanctions and/or Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will check the counterparty against the various lists of Countries subject to International Sanctions and Sanctioned Persons and determine whether the counterparty is, or is owned or controlled by, a person located in a Country subject to International Sanctions or a Sanctioned Person. If any potential sanction risk is identified, we will seek advice from a reputable external international sanctions legal counsel with the necessary expertise and experience in international sanction law matters; and
- Our risk management committee will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or Sanctioned Persons. If necessary, external international sanctions legal counsel will provide training programs relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international sanctions legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our operations.

Our Directors believe that the measures we are implementing will prevent any potential violations of International Sanctions.

BUSINESS

Our Directors are of the view that although we will continue to sell our products to customers in Countries subject to International Sanctions after Listing, these enhanced measures will provide a reasonably adequate and effective framework to assist us in identifying, monitoring and mitigating any material risk relating to International Sanctions laws. The Sole Sponsor has no reason to disagree with our Directors' view in this regard, subject to the full implementation and enforcement of the measures set out above.

Internal control policy against rebate and kick-back arrangements

We adopt internal control policy against rebate and kick-back arrangements and provision of rebate to our customers is prohibited under our internal control policy. According to our internal control policy, sales amount including any discount amount shall be clearly set out in the invoice in respect of the transaction.

Internal control policy on investment and treasure policy for mitigation of foreign exchange risks

During the Track Record Period, payment from our customers was generally denominated in US dollars, but certain portion of our costs, such as payment to raw material suppliers and sub-contractors in the PRC was denominated in RMB. We monitor and mitigate the risks of fluctuation in RMB against U.S. dollars mainly through passing increases in costs resulting from fluctuations in RMB on to our customers through price increases and negotiating for reduction of raw material price with our suppliers. Where our Board considers necessary, we may enter into foreign currency contracts in order to hedge the currency risk exposure, but not for speculative purpose.

We have adopted treasury policy and procedures that require all investment plans, including investments in derivative financial instruments, be prepared by our financial controller and approved by our chief executive officer and the Board. The investment plan should set out information including investment nature and reasons, investment amount, associated risks and mitigation plan, investment return together with forecast and schedule for regular review of investment performance.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), members of the Ma Family, being Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, and Wah Sun Holdings will become our Controlling Shareholders and control the exercise of 75% of the voting rights in the general meeting of our Company. For the respective background of the members of the Ma Family, see “Directors, Senior Management and Employees – Directors – Executive Directors”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the matters as described below, the Board is of the view that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational independence

Our Group has established its own business independent of that of our Controlling Shareholders and/or their respective close associates. We make business decisions independently of our Controlling Shareholders and have sufficient capital, equipment and employees to operate our business independently. Our Group has established its own organisational structure made up of individual functions, each with specific areas of responsibilities. We have independent access to suppliers and customers. Our Group has established a set of internal controls to facilitate the effective operation of its business.

Save as disclosed in “Connected Transactions”, as at the Latest Practicable Date, there were no ongoing business transactions between us and any of our Controlling Shareholders and/or their respective close associates.

For further details of the aforementioned transactions, see “Financial Information – Transactions with related parties”.

Please also see note 28 of Appendix I for the related party transactions of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management independence

Our Company's management and operational decisions are made by our Board and the senior management. Our Board comprises five executive Directors and three independent non-executive Directors. All five members of the Ma Family, being our Controlling Shareholders, are our executive Directors, and directors or management of all of our subsidiaries as at the Latest Practicable Date. Mr. Ma Hing Man is also the chairman of our Board and Mr. Ma Hing Ming is the chief executive officer of our Company. Although members of the Ma Family are also directors of Wah Sun Holdings, their time involvement in the matters of Wah Sun Holdings will be minimal and they confirm that they would largely be involved in the day-to-day management and operation of our Group.

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (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) and their respective close associate(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions, and shall not be counted in the quorum unless otherwise provided by the Articles of Association;
- (c) our Group has established its own organisational structure made up of individual functions including procurement, product and prototype development, production, quality control, sales and business, warehouse and logistics, administration, finance and human resources, and supplemental by manufacturing workers, which are responsible for daily operations of our Group and are independent from our Controlling Shareholders; and
- (d) the three independent non-executive Directors will also bring independent judgement to the decision-making process of the Board.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts due to and due from our Controlling Shareholders and their respective associates, details of which are set out in note 28 of Appendix I. Amounts due from our Controlling Shareholders and their respective associates,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

apart from those arising from the ordinary and usual course of business, amounted to approximately HK\$6.2 million, HK\$10.0 million, HK\$18.8 million and HK\$24.0 million as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. Such amounts were due from Mr. Ma Hing Man, his son, Mr. Ma Wing Yin and Mr. Ma Hiu Fai, the son of Mr. Ma Yum Chee and mainly represented advances to them from us in prior years. All such amounts mentioned above will be settled before Listing.

Amounts due to our Controlling Shareholders and their respective associates, apart from those arising from the ordinary and usual course of business, amounted to approximately HK\$18.5 million, HK\$32.8 million, HK\$50.5 million and HK\$49.6 million as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. Such amounts were due to Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee, Ms. Ma Lan Heung and Ms. Dong Yan. All such non-trade related payables will be settled before Listing.

Our Directors confirm that there were no outstanding loans or borrowing from our Controlling Shareholders and their respective associates as at the Latest Practicable Date. Our Directors confirm that our Group will not rely on our Controlling Shareholders for financing after the Listing as our Group expects that its working capital will be funded by our operating income, the net proceeds of the Global Offering and bank borrowings.

To secure certain banking facilities and/or bank loans granted to Wah Sun HK, the Controlling Shareholders and their respective close associates have executed the following securities:

- (a) personal guarantees and indemnities by Ms. Ma Lan Chu, Mr. Ma Hing Man, Ms. Ma Lan Heung, Mr. Ma Hing Ming, Mr. Ma Yum Chee;
- (b) corporate guarantees and indemnities provided by and controlled by Mr. Ma Wing Yin, the son of Mr. Ma Hing Man, which was dormant as at the Latest Practicable Date;
- (c) a deed of indemnity, charge over deposit(s) and set-off by Ms. Ma Lan Chu; and
- (d) first/second legal charge/mortgage over certain properties owned by (i) Mr. Ma Hing Ming and his spouse, Ms. Wu Yu Ling, (ii) Ms. Ma Lan Chu, (iii) Mr. Ma Hing Man, (iv) Ms. Ma Lan Heung, (v) Ms. Ma Lan Chu and Ms. Yung Ngan Sim, the spouse of Mr. Ma Yum Chee, as joint tenants, and (vi) Ms. Ma Lan Heung and Ms. Chan Sim Kuen, the spouse of Mr. Ma Hing Man, as tenants in common, respectively.

As at 31 March 2015, 2016 and 2017, Wah Sun HK had bank borrowings and bills payables in aggregate of HK\$57.3 million, HK\$46.2 million and HK\$77.3 million, respectively, that have been guaranteed and/or indemnified by the Controlling Shareholders.

The securities mentioned above shall be released upon Listing and/or will be replaced by corporate guarantees provided by our Company upon Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group is confident that after the Listing, we will be able to obtain new borrowings on a stand-alone basis for the following reasons:

- (a) we have confirmed with the principal banks that they agree in principal to accept the corporate guarantees provided by our Company for the Group's future borrowings;
- (b) the listing status of our Company would enhance our borrowing power capacity; and
- (c) we maintain good relationships with the principal banks and we did not have any material defaults in payment of bank borrowings and other debt financial obligations or breaches of any restrictive covenants during the Track Record Period. Our Directors believe that the principal banks will consider our good credit records when we apply for the future borrowings for the Group.

RULE 8.10 OF THE LISTING RULES

Apart from the interests disclosed in this prospectus, our Controlling Shareholders and Directors do not have any interest in a 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 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

In order to eliminate any future competing business with our Group, on 2 January 2018, each of Wah Sun Holdings, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Hing Man, Mr. Ma Yum Chee and Ms. Ma Lan Heung (the "**Covenantors**", each a "**Covenantor**") entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustees for each of our subsidiaries).

Pursuant to the Deed of Non-competition, each of the Covenantors has undertaken to our Company, on a joint and several basis, that, during the Relevant Period (as defined below), it/he/she shall, and shall procure its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group):

- (a) not, directly or indirectly, engage, on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm, company or organisation, carry on or be engaged, concerned with or interested in, directly or indirectly, whether as a director, shareholder, partner, agent, or otherwise (other than being a director or shareholder of members of our Group) and whether for profit, reward or otherwise, in any business which competes with the business of manufacture and sale of handbags and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (the "**Restricted Business**") within Hong Kong, Cambodia and the PRC and any parts of the world where our Group or any member of our Group conducts its business (the "**Territory**");
- (b) not interfere with or endeavour to entice away from our Group any firm, company or organisation who to its/his/her knowledge is from time to time or has at any time within the immediate past two years before the date of this prospectus been our customer or supplier;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) not at any time employ any person who has been a director, manager or employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to our Group's business without prior written consent from our Company;
- (d) not directly or indirectly solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group; and
- (e) not disclose any confidential information of our Group in its/his/her possession to any third party or our Group's competitors unless such disclosure (i) is made to professional advisors on a confidential basis; (ii) is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations or pursuant to any court orders; or (iii) is already in public domain or which become so through no fault or breach of the Covenants, and that before making any disclosure, the Covenants shall inform and consult our Group as to the form and substance of such disclosure.

Each of the Covenants has undertaken to us that in the event that it/he/she or its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) (the "**Offeror**") is given or identified or offered any business investment or commercial opportunity by independent third parties and such investment or opportunity directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunities**"), it/he/she will and will procure its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) to refer the New Opportunities to our Company as soon as practicable in the following manner:

- (a) each of the Covenants is required to, and shall procure its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice to our Company of any New Opportunities containing information available to the relevant Covenantor for our Company to consider whether (i) such New Opportunities would constitute competition with the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**"); and
- (b) the Offeror will be entitled to pursue the New Opportunities only if (i) the Offeror has received a notice from our Company declining the New Opportunities; or (ii) the Offeror has not received such notice from our Company within one month from our Company's receipt of the Offer Notice.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to our Company in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from the Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Business; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

Where any of the Covenantor, its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) have acquired any business investment or interest in any entity relating to the Restricted Business pursuant to sub-paragraph (b) above and intend to sell such business investment or interest, the relevant Covenantor, its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) shall provide our Group with a written notice (the “**Pre-emptive Right Notice**”) notifying our Company its pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Business with an expiry date being the following business day after one month from our Company’s receipt of the Pre-emptive Right Notice. Where (i) the Independent Board Committee decides to waive the Pre-emptive Right by way of written notice within one month from our Company’s receipt of the Pre-emptive Right Notice or (ii) the relevant Covenantor or its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) (as the case may be) has not received the Pre-emptive Right Notice, the relevant Covenantor, its/his/her close associates and/or companies controlled by it/him/her (other than members of our Group) may offer to sell such business, investment or interest in the Restricted Business to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose of the Deed of Non-competition, the “**Relevant Period**” means the period from the Listing Date until the earlier of:

- (a) the relevant Covenantor, its/his/her close associates and/or companies controlled by it/him/her, individually or taken as a whole, cease to be the Controlling Shareholders of the Company for the purpose of the Listing Rules; and
- (b) the Shares cease to be listed on the Stock Exchange.

Nothing in the Deed of Non-competition shall prevent any of the Covenantors and its/his/her close associates and/or companies controlled by it/him/her from holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Business (the “**Subject Company**”) provided that:

- (a) such shares or securities are held for investment purposes and are or are proposed to be listed on any internationally recognised stock exchange;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) the aggregate equity interest or number of shares held by the relevant Covenantor and its/his/her close associates and/or companies controlled by it/him/her do not exceed 5% of the issued share capital or issued shares of the Subject Company; and
- (c) such shares or securities do not confer rights to be involved directly or indirectly with the operations of the Subject Company such that the relevant Covenantor and its/his/her close associates and/or companies controlled by it/him/her do not have any representative on the board or management team of the Subject Company.

The Deed of Non-competition is conditional on the fulfilment (or waiver, where appropriate) of the conditions set out in “Structure of the Global Offering – Conditions of the Global Offering” within the times and dates as specified therein.

Each of the Covenantors has further undertaken under the Deed of Non-competition that it/he/she shall provide to us and our Directors (including our independent non-executive Directors) with information available to it/him/her from time to time which is necessary for the annual review by our independent Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition. Each of the Covenantors has also undertaken (if necessary) to make annual declaration as to compliance with the terms of the Deed of Non-competition in our annual reports.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing the conflicts of interest between our Group and our Controlling Shareholders to safeguard the interests of our Shareholders will be adopted:

- (a) our independent non-executive Directors will review, on an annual basis, due compliance with the terms of the Deed of Non-competition by the Covenantors so long as such deed is still effective;
- (b) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition and each of the Covenantors will make (if necessary) annual declaration on compliance with its/his/her/it undertaking under the Deed of Non-competition in the annual reports of our Company;
- (c) the Independent Board Committee comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunity referred to our Group by the Covenantors (or their close associates or companies controlled by them other than members of our Group), on pursuing or declining such New Opportunity and the exercise of the Pre-emptive Right under the Deed of Non-competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) any transaction (if any) between (or proposed to be made between) us and our connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the grant of waiver(s) from strict compliance with relevant requirements under the Listing Rules;
- (e) where a conflict of interest arises, any Director who is considered to be interested in a particular matter or the subject matter shall disclose his/her interest to our Board and that under the Articles of Association, any Director having any material interest in the matter shall not vote on the Board resolutions approving the same and shall not be counted in the quorum of the relevant Board meeting unless otherwise provided by the Articles; and
- (f) we have appointed DBS Asia Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control measures.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into transactions with connected persons of our Company. Upon Listing, certain members of our Group will continue to have transactions with connected persons of our Company and these transactions will constitute continuing connected transactions of our Group pursuant to Chapter 14A of the Listing Rules. Details of the connected persons and the continuing connected transactions are set out below.

Brief description of transaction	Term	Applicable Listing Rule	Waiver sought
1. Land Lease Agreement	From the Listing Date to 31 March 2022	Rule 14A.76(1) Rule 14A.52	None (De minimus transactions)
2. Tenancy Agreements	From 1 April 2017 to 31 March 2020	Rule 14A.76(1)	None (De minimus transactions)

CONNECTED PERSONS

Ms. Dong Yan (“**Ms. Dong**”) is a director of Wah Sun Cambodia, one of our wholly-owned operating subsidiaries. Hence, Ms. Dong is a connected person of our Company pursuant to Rule 14A.07 of the Listing Rules.

Ms. Ma Lan Chu and Ms. Ma Lan Heung are both executive Directors. Hence, both Ms. Ma Lan Chu and Ms. Ma Lan Heung are connected persons of our Company pursuant to Rule 14A.07 of the Listing Rules.

Ms. Yung Ngan Sim, the spouse of Mr. Ma Yum Chee who is our executive Director, and Ms. Chan Sim Kuen, the spouse of Mr. Ma Hing Man who is our executive Director, are both the associates of our Directors and therefore connected persons of our Company pursuant to Rule 14A.12 of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A.76 of the Listing Rules, the continuing connected transactions of our Group set out below constitute fully exempt continuing connected transactions:

Land Lease Agreement

Description of the transaction

As at the Latest Practicable Date, Wah Sun Cambodia had leased two parcels of land located in Bostaney Village, Kaheng Commune, Samrong Tong District, Kampong Speu Province, Cambodia, on which we have built our Cambodia Factory from Ms. Dong. We intend to continue leasing such two parcels of land from Ms. Dong upon Listing. Accordingly, on 5 July 2017, Wah Sun Cambodia, as tenant, and Ms. Dong, as landlord, entered into a land lease agreement (the “**Land Lease Agreement**”) in relation to the lease of land aforementioned with an aggregate site area of approximately 62,493 sq.m.. The term of the Land Lease Agreement ends on 31 March 2022 at a rental of USD384,000 per year payable in advance.

CONNECTED TRANSACTIONS

The annual rental payable by Wah Sun Cambodia to Ms. Dong for each of five years ending 31 March 2022 is expected not to exceed USD384,000. In arriving at the above annual rental, our Directors have considered, among others, the floor area under the land lease agreement, the prevailing market rates and approved rental by the General Department of Taxation of Ministry of Economy and Finance, Cambodia. We have obtained an opinion from a professional valuer regarding the historical rent paid and the rent payable under the Land Lease Agreement. As advised by the professional valuer, the historical rent paid by us for the period between January 2014 and May 2017 was lower than the market rental level of comparable properties in similar location, and that the rent payable by us under the Land Lease Agreement is at the market rental level of comparable properties. The difference between the minimum market rent advised by the professional valuer and the historical rent paid by our Group for FY2015, FY2016, FY2017 and 4M2018 were approximately HK\$1.3 million, HK\$1.4 million, HK\$1.7 million and HK\$0.3 million, respectively, and represented approximately 5.4%, 5.3%, 4.3% and 1.3% of the administrative expenses of the Group for the corresponding financial year/period. Our Directors considered that the historical rent paid by the Group was on normal commercial terms or better and on terms no less favourable to the Group than terms available from independent third parties. Taking into account the opinion of the professional valuer, our Directors considered and the Sole Sponsor agreed that the Land Lease Agreement was entered into in the ordinary course of our Group's business and is on normal commercial terms, and the terms, including the rent, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Taking into account that (i) our Cambodia Factory has become our major production facilities in terms of production volume since FY2016, (ii) the inherit interruption, cost and potential impact on our operation in Cambodia in the event of relocation due to termination of lease and (iii) the capital expenditure required in establishing the Cambodia Factory, our Directors confirm that it is not unreasonable for the Land Lease Agreement to have a term of more than three years for stability reasons. Further, according to the F&S Report, it is normal business practice for a lease agreement in respect of land used for factories to have a term exceeding three years. Having considered the aforementioned factors and the view of F&S, the Directors confirm that it is normal business practice for a lease agreement in respect of land used for factories to have a term exceeding three years. The Sole Sponsor, having considered the factors set out above, the F&S Report and the view of the Directors, confirm that it is normal business practice for a lease agreement in respect of land used for factories to have a term exceeding three years.

Historical transaction amounts and annual caps on future transaction amounts

The historical figures for the years ended 31 March 2015, 2016 and 2017 for this transaction incurred by our Group were USD108,000, USD113,000 and USD120,000, respectively.

Implication under the Listing Rules

As all of the applicable percentage ratios in respect of the annual rental of the Land Lease Agreement are less than 5% and the total annual consideration is less than HK\$3 million, the transactions contemplated thereunder constitute *de minimis* continuing connected transactions exempt from independent Shareholders' approval, annual review and all disclosure requirements set out in Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, we will take necessary action to ensure compliance with such requirements within a reasonable period, and that upon renewal of the initial term of the Land Lease Agreement, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Tenancy Agreements

Description of the transaction

During the Track Record Period, Wah Sun HK has leased principal place of business in Hong Kong from (i) Ms. Ma Lan Chu and Ms. Yung Ngan Sim; and (ii) Ms. Ma Lan Heung and Ms. Chan Sim Kuen. We intend to continue leasing our principal place of business in Hong Kong from (i) Ms. Ma Lan Chu and Ms. Yung Ngan Sim; and (ii) Ms. Ma Lan Heung and Ms. Chan Sim Kuen upon Listing. Accordingly, on 1 June 2017, Wah Sun HK, as tenant, and (i) Ms. Ma Lan Chu and Ms. Yung Ngan Sim; and (ii) Ms. Ma Lan Heung and Ms. Chan Sim Kuen, as landlords, entered into tenancy agreements (the “**Tenancy Agreements**”) in relation to the lease of our Hong Kong principal place of business, details of which are as below:

	Tenancy Agreement (1)	Tenancy Agreement (2)
Landlord:	Ms. Ma Lan Chu (joint tenant)	Ms. Ma Lan Heung (tenancy in common with 1/2 share)
	Ms. Yung Ngan Sim (joint tenant)	Ms. Chan Sim Kuen (tenancy in common with 1/2 share)
Location:	Workshop 8, 6/F, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong (the “ Premises 1 ”)	Workshop 9, 6/F, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong (the “ Premises 2 ”)
Gross floor area:	approximately 250.0 sq.m.	approximately 112.3 sq.m.
Term:	1 April 2017 to 31 March 2020	1 April 2017 to 31 March 2020
Rent:	annual rental of HK\$288,000 payable in advance (exclusive of government rent and rates, utility and other property related miscellaneous expenses)	annual rental of HK\$168,000 payable in advance (exclusive of government rent and rates, utility and other property related miscellaneous expenses)
	Accordingly, the annual rental payable by Wah Sun HK to Ms. Ma Lan Chu and Ms. Yung Ngan Sim for each of the years ending 31 March 2018, 2019 and 2020 is expected not to exceed HK\$288,000.	Accordingly, the annual rental payable by Wah Sun HK to Ms. Ma Lan Heung, Ms. Chan Sim Kuen for each of the years ending 31 March 2018, 2019 and 2020 is expected not to exceed HK\$168,000.

CONNECTED TRANSACTIONS

In arriving at the above annual rentals, our Directors have considered, among others, the floor area under the Tenancy Agreements and the prevailing market rates, namely the rental payable for similar properties to be leased from an independent third party at similar locations.

Our Directors considered that the Tenancy Agreements were entered into in the ordinary course of our Group's business and is on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical transaction amounts

The historical figures for the years ended 31 March 2015, 2016 and 2017 for the lease of the Premises 1 incurred by our Group were approximately HK\$276,000, HK\$276,000 and HK\$276,000, respectively; whereas the historical figures for the lease of the Premises 2 incurred by our Group were approximately HK\$144,000, HK\$144,000 and HK\$144,000, respectively, for the same period.

Implication under the Listing Rules

As all of the applicable percentage ratios in respect of the annual rentals of the Tenancy Agreements are less than 5% and the total annual consideration is less than HK\$3 million, the transactions contemplated thereunder constitute *de minimis* continuing connected transactions exempt from independent Shareholders' approval, annual review and all disclosure requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The following table sets forth certain information regarding our Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Ma Hing Man (馬慶文)	59	10 April 1989	29 May 2017	Chairman and executive Director	Overseeing our Group's overall operation, production and quality control management	Brother of Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung
Mr. Ma Hing Ming (馬慶明)	54	10 April 1989	29 May 2017	Executive Director and chief executive officer	Overseeing our Group's market development, sales and customer relationships management	Brother of Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung
Ms. Ma Lan Chu (馬蘭珠)	62	10 April 1989	29 May 2017	Executive Director	Supervising our Group's financial management, fund raising and capital management	Sister of Mr. Ma Hing Man, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung
Mr. Ma Yum Chee (馬任子)	66	10 April 1989	29 May 2017	Executive Director	Overseeing our Group's production and quality control management	Brother of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu and Ms. Ma Lan Heung
Ms. Ma Lan Heung (馬蘭香)	69	10 April 1989	29 May 2017	Executive Director	Overseeing our Group's production and quality control management	Sister of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu and Mr. Ma Yum Chee

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Lam Kwok Cheong (林國昌)	64	2 January 2018	2 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. Wong Wai Keung Frederick (黃煒強)	62	2 January 2018	2 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. Yeung Chi Wai (楊志偉)	57	2 January 2018	2 January 2018	Independent non-executive Director	Supervising and providing independent advice to our Board	None

Executive Directors

Mr. Ma Hing Man (馬慶文), aged 59, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our chairman and executive Director on 19 June 2017. He is also a director of Wah Sun HK, a business manager of Dongguan Quickmind, and a general manager of each of Union Gold and Wah Sun Cambodia. Mr. Ma Hing Man is primarily responsible for overseeing our Group's overall operation, production and quality control management.

Mr. Ma Hing Man has over 28 years of experience in manufacturing and trading industry. He served as a director of Pok Oi Hospital from 2004 to 2010, where he was mainly responsible for strengthening and promoting the diversified charitable services. He was the principal of POH 80th Anniversary Tang Ying Hei College from 2009 to 2010. He is currently the president of the Liaobu branch of the Dongguan City Association of Enterprises with Foreign Investment.

Mr. Ma Hing Man is one of our Controlling Shareholders. He is the brother of Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our Controlling Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ma Hing Ming (馬慶明), aged 54, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director and chief executive officer on 19 June 2017. He is also a director of each of Wah Sun HK and Wah Sun Cambodia, and a marketing manager of each of Union Gold, Dongguan Quickmind and Wah Sun Cambodia. Mr. Ma Hing Ming is primarily responsible for overseeing our Group's market development, sales and customer relationships management. Mr. Ma Hing Ming has over 28 years of experience in manufacturing and trading industry.

Mr. Ma Hing Ming is one of our Controlling Shareholders. He is the brother of Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our Controlling Shareholders.

Ms. Ma Lan Chu (馬蘭珠), aged 62, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. She is also a director of each of Union Gold, Wah Sun HK and Wah Sun Cambodia, and a financial manager of each of Dongguan Quickmind and Wah Sun Cambodia. Ms. Ma Lan Chu is primarily responsible for supervising our Group's financial management, fund raising and capital management. Ms. Ma Lan Chu has over 28 years of experience in manufacturing and trading industry.

Ms. Ma Lan Chu is one of our Controlling Shareholders. She is the sister of Mr. Ma Hing Man, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our Controlling Shareholders.

Mr. Ma Yum Chee (馬任子), aged 66, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. He is also a director of Dongguan Quickmind, and a production manager of each of Union Gold, Wah Sun HK and Wah Sun Cambodia. Mr. Ma Yum Chee is primarily responsible for overseeing our Group's production and quality control management. Mr. Ma Yum Chee has over 28 years of experience in manufacturing and trading industry.

Mr. Ma Yum Chee is one of our Controlling Shareholders. He is the brother of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu and Ms. Ma Lan Heung, all of whom are our executive Directors and are also our Controlling Shareholders.

Ms. Ma Lan Heung (馬蘭香), aged 69, joined our Group on 10 April 1989, was appointed as our Director on 29 May 2017 and was re-designated as our executive Director on 19 June 2017. She is also a production manager of each of Union Gold, Wah Sun HK, Dongguan Quickmind and Wah Sun Cambodia. Ms. Ma Lan Heung is primarily responsible for overseeing our Group's production and quality control management. Ms. Ma Lan Heung has over 28 years of experience in manufacturing and trading industry.

Ms. Ma Lan Heung is one of our Controlling Shareholders. She is the sister of Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu and Mr. Ma Yum Chee, all of whom are our executive Directors and are also our Controlling Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Winding-up Order against Smart Material Limited 利駿原料有限公司 (“Smart Material”) of which Ms. Ma Lan Heung was one of the three directors

Under Rule 13.51(2)(1) of the Listing Rules, a director must disclose his/her directorship in any company which has been dissolved or put into liquidation (otherwise than by a member’s voluntary winding-up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the subject of an analogous proceeding during the period when he/she was one of its directors. Ms. Ma Lan Heung was a director of Smart Material.

Smart Material was incorporated in Hong Kong on 12 April 1999 and its principal activities were sale of PVC, nylon or handbag materials. Compulsory winding-up proceeding were initiated against Smart Material upon a petition filed by one of its ex-employees (the “**Petitioner**”) to the court on 9 June 2003 seeking a court order to wind up Smart Material on the grounds that it was indebted to the Petitioner in a sum of HK\$20,875.21 and to certain other employees in the aggregate sum of approximately HK\$33,041.51 (together with interest thereon under Sections 39(3) of the Labour Tribunal Ordinance at judgment rate from date of award until the date of payment being the amount (or aggregate amount, as the case may be) due on the award obtained by the Petitioner (or the other employees, as the case may be) against Smart Material in the Labour Tribunal on the 9 January 2003), and that Smart Material was insolvent and unable to pay its debts (the “**Claim**”). Smart Material was dissolved on 11 October 2007.

Ms. Ma confirmed that (i) she was focusing on managing the businesses of the Group and mainly stationed in the then PRC factory of the Group, rather than Hong Kong (where Smart Material’s business was carried out) at the material time while the two directors other than Ms. Ma, who were independent third parties and business acquaintances of Ms. Ma, were responsible for the day-to-day management of Smart Material; (ii) Ms. Ma was not informed, nor was she aware, that Smart Material became insolvent until she was contacted by the relevant liquidators regarding the Claim after their failure to locate the other two directors of Smart Material. Since then, Ms. Ma fully cooperated with the liquidators in respect of the winding up proceedings of Smart Material. Ms. Ma confirmed that there is no wrongful act on her part leading to the above dissolution and winding-up of Smart Material and as at the Latest Practicable Date, she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolution and winding-up of Smart Material.

The Sole Sponsor consider that (i) based on information available, there is no evidence of dishonesty or bad faith involved on the part of Ms. Ma in the circumstances leading to the winding up of Smart Material; (ii) Ms. Ma entrusted the other two directors with the day-to-day management of Smart Material because she was pre-occupied with the management the Group’s business. Notwithstanding that such situation was not ideal, after being approached by the liquidators, Ms. Ma acted for proper purpose and in good faith in assisting the winding up proceedings of Smart Material; (iii) Ms. Ma was primarily responsible for overseeing our production and quality control management instead of accounting and human resources matters. Our Directors confirmed that the Group had not received any major customer complaints on product quality, and there had been no massive recall on the Group’s products

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

during the Track Record Period, which tends to support that Ms. Ma applied such degree of skill, care and diligence as may reasonably be expected of a person of her knowledge and experience and holding her office; (iv) Ms. Ma's experience and contribution to the development and growth of our Group since she joined us in 1989; (v) Ms. Ma has attended the directors training provided by the Company's Hong Kong legal advisers which covered, among others, director's duties; and (vi) Ms. Ma will be assisted by the financial controller and administration, finance and human resources staff of our Group to handle accounting and human resources matters, and such resources were not available to her in the case of Smart Material. Taking into account basis set out above, the Directors and the Sole Sponsor were of the view that the winding-up order against Smart Material did not reflect so negatively on Ms. Ma's ability to the extent that render her unsuitable to act as the Company's director.

Independent non-executive Directors

Mr. Lam Kwok Cheong (林國昌), aged 64, was appointed as our independent non-executive Director on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

Mr. Lam has over 38 years of experience as a practicing solicitor. He obtained a bachelor's degree in law from the University of Hong Kong in November 1976. He is currently an independent non-executive director of Prosten Health Holdings Ltd., a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8026) since June 2015. He was an independent non-executive director of GCL New Energy Holdings Limited (formerly known as "Same Time Holdings Limited") (stock code: 451) from November 1997 to May 2014, and an independent non-executive director of Southwest Securities International Securities Limited (stock code: 812) from November 2013 to September 2016, both companies are listed on the Main Board of the Stock Exchange. He was an non-executive director of China Ocean Fishing Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8047) from June 2015 to July 2015. He was an independent non-executive director of Mega Medical Technology Limited (formerly known as "Wing Lee Holdings Limited" and "Wing Tai Investment Holdings Limited"), a company listed on the Main Board of the Stock Exchange (stock code: 876) from September 2004 to June 2014, and re-designated as an non-executive director from June 2014 to June 2016. Mr. Lam confirmed that he did not provide any professional services to the Group during the Track Record Period.

Mr. Lam is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of the Panel of Adjudicators of Obscene Articles Tribunal, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages, a China appointed Attesting Officer and a fellow of The Hong Kong Institute of Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wong Wai Keung Frederick (黃煒強), aged 62, was appointed as our independent non-executive Director on 2 January 2018. He is mainly responsible for supervising and providing independent advice to our Board.

He is currently an independent non-executive director of Perfect Group International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3326) since December 2015. He acted as the chief financial officer, since 18 September 2017, and the company secretary and authorised representative, since 25 September 2017, of Asia Investment Finance Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0033) until he resigned from all such positions on 3 November 2017. He was an executive director of China Solar Energy Holdings Limited (formerly known as “Hwa Kay Thai Holdings Limited”), a company listed on the Main Board of the Stock Exchange (stock code: 155) from April 1996 to March 1999. From January 2001 to January 2011, Mr. Wong was the chief financial officer and company secretary of CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8233), and has been an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of such company since April 2014 and the chairman of the nomination committee of such company since October 2015. Mr. Wong had been the chief financial officer of APAC Resources Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1104), since January 2011 and also acted as the company secretary of the company between April 2011 and December 2011 and since February 2013 until he resigned from such positions in July 2016 and served as a consultant to the company between August 2016 to October 2016. Mr. Wong confirmed that he did not provide any professional services to the Group during the Track Record Period.

Mr. Wong obtained a master’s degree in electronic commerce from Edith Cowan University in Western Australia in February 2002 which was completed through distance learning. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since December 1993 and a fellow member of the Hong Kong Institute of Certified Accountants (formerly named as Hong Kong Society of Accountants) since June 1991.

Mr. Yeung Chi Wai (楊志偉), aged 57, was appointed as our independent non-executive Director on 2 January 2018. He is mainly responsibly of supervising and providing independent advice to our Board.

Mr. Yeung has over 28 years of experience in accounting, finance and audit. He is the founder and director of Edwin Yeung & Company (CPA) Limited, which was incorporated in 2008. Mr. Yeung has been currently an independent non-executive director of China Outfitters Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1146) since June 2011. Mr. Yeung has been a director of Accounting Development Foundation Limited since 2012. Mr. Yeung was an independent non-executive director of Noble House (China) Holdings Limited (now known as Northern New Energy Holdings Limited), a company listed on the Growth Enterprises Market of the Stock Exchange (stock code: 8246) from October 2013 to October 2014. He is a member of the Chinese People’s Political Consultative Conference in Shandong Province, a committee member of Home Purchase Allowance Appeals

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Committee and a member of the Appeal Board Panel (Town Planning), an independent statutory body established by the Government of Hong Kong. Mr. Yeung confirmed that he did not provide any professional services to the Group during the Track Record Period.

Mr. Yeung has been an associate of the Chartered Association of Certified Accountants since 1988. He became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a fellow member of CPA Australia since 2010. He was the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. He was awarded the Medal of Honour by the Government of the Hong Kong in 2010.

Disclosure of relationships and as required pursuant to Rule 13.51(2) of the Listing Rules

Save as the interests of Mr. Ma Hing Ming, Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Yum Chee and Ms. Ma Lan Heung in the Shares which are disclosed in “Further Information about Substantial Shareholders, Directors and Experts – Disclosure of Interests” in Appendix IV, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, none of our Directors has been a director of any publicly companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Save as disclosed in this section, none of our Directors and members of our senior management is personally related to any of our Directors, senior management or substantial Shareholders of our Company.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Other than our Directors, our senior management team consists of four members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company. The table below sets out information in respect of our senior management personnel.

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position in our Group	Roles and responsibilities
Mr. Li Yat Tin Dominic (李逸天)	33	1 May 2017	19 June 2017	Financial controller and one of the joint company secretaries	Overseeing the accounting activities and internal control
Mr. Lee Chi Wing (李志榮)	48	19 February 2001	3 April 2017	Procurement general manager	Overseeing material procurement, quality control and inventory management
Ms. Ng Yuk Chun (吳玉珍)	46	3 June 2008	3 April 2017	Logistics general manager	Overseeing shipping and logistic arrangements and customs clearance
Mr. Luk Ming On (陸銘安)	35	4 July 2008	3 April 2017	General business executive	Liaison officer of two multinational fashion chains and responsible for attending all business matters with the said multinational fashion chains

Mr. Li Yat Tin Dominic (李逸天), aged 33, was appointed as the financial controller and one of the joint company secretaries of our Company on 19 June 2017. He joined our Group as a financial controller of Wah Sun HK on 1 May 2017. Mr. Li is primarily responsible for overseeing the accounting activities and internal control.

Mr. Li Yat Tin has over seven years of experience in accounting, auditing and related experience. Prior to joining our Group, he worked in PricewaterhouseCoopers in Hong Kong, an accounting firm, from September 2010 to November 2015, as an associate and was promoted to a senior associate in October 2012, where he was involved in a number of accounting engagements as the reporting accountant of initial public offerings and, debt and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

capital market transactions and the auditor of annual audits of various public and non-public companies. From November 2015 to April 2017, he worked in Ernst & Young in Hong Kong, an accounting firm, as a manager of financial services department, where he was involved in a number of initial public offering engagements as the reporting accountant and the annual audits of various public and non-public companies.

Mr. Li Yat Tin obtained a bachelor's degree in computing from Monash University, Australia in November 2006. In March 2009, he obtained a master's degree in professional accounting from La Trobe University, Australia. He is a certified practising accountant of CPA Australia since August 2009.

Mr. Lee Chi Wing (李志榮), aged 48, was appointed as the procurement general manager of our Company on 3 April 2017. He joined our Group as a procurement manager of Wah Sun HK in February 2001. Mr. Lee is primarily responsible for overseeing material procurement, quality control and inventory management.

Mr. Lee has over 23 years of experience in procurement. Prior to joining our Group, he worked in Good Loyal Industries Ltd. in Hong Kong, a manufacturing and trading company, as a purchasing clerk, from October 1994 to September 1995. From October 1995 to September 1997, he worked in House of Mercury Ltd. in Hong Kong, a manufacturing and trading company, as a purchasing clerk, where he was mainly responsible for handling and sourcing of material and accessories for the purchase department. From December 1997 to August 1999, he worked in Junsen Company Limited in Hong Kong, a manufacturing and trading company, as a shipping clerk, where he was mainly responsible for following up the material import from Hong Kong to China factory, and was promoted to a purchase manager in August 1999, where he was mainly responsible for following up the shipping, purchase orders, dealing and price negotiation with suppliers, and assisting the merchandiser to develop new raw material for the sales department. Mr. Lee left the said company in December 2000 and joined our Group in February 2001.

Mr. Lee completed the form three at the St. Lucas' College in 1984.

Ms. Ng Yuk Chun (吳玉珍), aged 46, was appointed as the logistics general manager of our Company on 3 April 2017. She joined our Group as a logistics manager of Wah Sun HK in June 2008. Mr. Ng is primarily responsible for overseeing shipping and logistic arrangements and customs clearance.

Ms. Ng has over 13 years of experience in business management. Prior to joining our Group, Ms. Ng worked in Fashion Concept Manufacturing Limited (currently known as China Products & Fashion Bag Manufacturing Limited), a manufacturing company and from July 2004 to March 2008, she worked in 德恩富科技股份有限公司 (Delphi Technology Inc.*), a manufacturing company, as a deputy manager responsible for administration management.

Ms. Ng completed the 1990 Hong Kong Certificate of Education Examination presented by Maria College in 1990.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Luk Ming On (陸銘安), aged 35, was appointed as the business general manager of our Company on 3 April 2017. He joined our Group as a business manager of Wah Sun HK in July 2008. Mr. Luk is primarily responsible for liaison officer of two multinational fashion chains and responsible for attending all business matters with the said multinational fashion chains.

Mr. Luk has over nine years of experience in business management. Prior to joining our Group, he worked in Ansin Employment Services in Hong Kong, from April 2003 to February 2004, as a clerk. From April 2004 to August 2007, he worked in Vishow Co., Limited in Hong Kong, a trading company, as an assistant purchaser, where he was mainly responsible for procurement. From July 2007 to March 2008, he worked in Hop Hing Electronic Enterprise in Hong Kong, a trading company, as a warehouse officer, where he was mainly responsible for warehouse routine operations, receiving of goods, inventory control and issuing stock according to delivery schedule.

Mr. Luk completed the advanced level course at Maria College of Hong Kong in June 2001.

JOINT COMPANY SECRETARIES

Mr. Li Yat Tin Dominic (李逸天) was appointed as one of the joint company secretaries of our Company on 19 June 2017. For details of his background, see the paragraph headed “Senior Management” in this section.

Ms. Ho Yin Kwan (何燕群), aged 40, was appointed as one of the joint company secretaries of our Company on 19 June 2017.

Ms. Ho has over 15 years of experience in providing company secretarial services to both private and listed companies incorporated in different jurisdictions. She is an associate director of Corporate and Company Secretarial Services of Thomas Lee and Partners Limited. Ms. Ho obtained a bachelor’s degree in business and finance from the University of Portsmouth, UK. She also obtained a master’s degree in corporate governance from the Open University of Hong Kong. Ms. Ho has been a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in UK since August 2006.

Ms. Ho is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

BOARD COMMITTEES**Audit committee**

The audit committee was approved to be established by resolutions passed by our Board on 2 January 2018 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Wong Wai Keung Frederick, Mr. Lam Kwok Cheong and Mr. Yeung Chi Wai. Mr. Wong Wai Keung Frederick has been appointed as the chairman of the audit committee and he possesses the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

Remuneration committee

The remuneration committee was approved to be established by resolutions passed by our Board on 2 January 2018 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two executive Directors, namely Mr. Ma Hing Man and Mr. Ma Hing Ming, and three independent non-executive Directors, namely Mr. Wong Wai Keung Frederick, Mr. Lam Kwok Cheong and Mr. Yeung Chi Wai. Mr. Lam Kwok Cheong has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, among others, to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

The nomination committee was approved to be established by resolutions passed by our Board on 2 January 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two executive Directors, namely Mr. Ma Hing Man and Mr. Ma Hing Ming and three independent non-executive Directors, namely Mr. Wong Wai Keung Frederick, Mr. Lam Kwok Cheong and Mr. Yeung Chi Wai. Mr. Yeung Chi Wai has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are, among others, to review the structure, size, composition and diversity of our Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on matters relating to appointment and re-appointment of Directors.

Risk management committee

The risk management committee was approved to be established by resolutions passed by our Board on 2 January 2018. The risk management committee consists of three independent non-executive Directors, namely Mr. Wong Wai Keung Frederick, Mr. Lam Kwok Cheong and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yeung Chi Wai. Mr. Wong Wai Keung Frederick has been appointed as the chairman of the risk management committee. The primary duties of the risk management committee are, among others, to review our Group's business operation, in particular overseas and export business, to monitor and control our Group's sanction risk level and to formulate our Group's risk management strategies.

See also "Business – Internal Control and Risk Management" for further information of our risk management committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports upon the Listing.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration in the form of salaries, bonus and other allowances, and retirement benefits subject to applicable laws and regulations. The aggregate amount of remuneration (including salaries, bonus and other allowances, and benefits) paid to our Directors for the three years ended 31 March 2017 were approximately HK\$6.3 million, HK\$7.2 million and HK\$5.7 million, respectively. For the same period, the five individuals whose emoluments were the highest in the Group were the five executive Directors whose emoluments were analysed above.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as in inducement to join or upon joining our Group or as a compensation for 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.

Save as disclosed as above, no payments have been paid or are payable by any members of our Group to our Directors or the five highest paid individuals during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 March 2018 is estimated to be approximately HK\$5,304,000.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and responsibilities of respective Directors and senior management and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective experience and qualifications as well as responsibilities of our Directors and senior management and the performance of our Group.

COMPLIANCE ADVISER

Our Company has appointed DBS Asia Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. In compliance with Rule 3A.23 of the Listing Rules, our Company must consult with, and if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of this appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in “Share Option Scheme” in Appendix IV.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or 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 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 general meetings of any other member of our Group:

Name of Shareholder	Nature of interest (Note 1)	Shares held immediately prior to the Global Offering and the Capitalisation Issue		Shares held immediately after the Global Offering and the Capitalisation Issue	
		Number	Approximate percentage	Number	Approximate percentage
Wah Sun Holdings	Beneficial owner	10,000	100%	300,000,000	75%
Mr. Ma Hing Ming (Note 2)	Interest in a controlled corporation; interest held jointly with other persons	10,000	100%	300,000,000	75%
Ms. Ma Lan Chu (Note 2)	Interest in a controlled corporation; interest held jointly with other persons	10,000	100%	300,000,000	75%
Mr. Ma Hing Man (Note 2)	Interest in a controlled corporation; interest held jointly with other persons	10,000	100%	300,000,000	75%
Mr. Ma Yum Chee (Note 2)	Interest in a controlled corporation; interest held jointly with other persons	10,000	100%	300,000,000	75%
Ms. Ma Lan Heung (Note 2)	Interest in a controlled corporation; interest held jointly with other persons	10,000	100%	300,000,000	75%
Ms. Yung Ngan Sim (Note 3)	Interest of a spouse	10,000	100%	300,000,000	75%
Ms. Wu Yu Ling (Note 4)	Interest of a spouse	10,000	100%	300,000,000	75%
Ms. Chan Sim Kuen (Note 5)	Interest of a spouse	10,000	100%	300,000,000	75%

Notes:

- All interests stated are long positions.
- Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Hing Man, Mr. Ma Yum Chee and Ms. Ma Lan Heung have decided to restrict their ability to exercise direct control over our Company by holding their interests through a common investment holding company, Wah Sun Holdings. Wah Sun Holdings' entire issued share capital is personally held by each of Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man as to 20%. They are also parties to the Acting in Concert Deed pursuant to which each of them has agreed, *inter alia*, to consolidate their respective interests in, and control of the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Therefore, each of Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man is deemed to be interested in the shares of Wah Sun Holdings held by each of them in aggregate and all the Shares held by Wah Sun Holdings under the SFO.
- Ms. Yung Ngan Sim is the spouse of Mr. Ma Yum Chee. Ms. Yung Ngan Sim is deemed to be interested in the same number of Shares in which Mr. Ma Yum Chee is deemed to be interested by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

4. Ms. Wu Yu Ling is the spouse of Mr. Ma Hing Ming. Ms. Wu Yu Ling is deemed to be interested in the same number of Shares in which Mr. Ma Hing Ming is deemed to be interested by virtue of Part XV of the SFO.
5. Ms. Chan Sim Kuen is the spouse of Mr. Ma Hing Man. Ms. Chan Sim Kuen is deemed to be interested in the same number of Shares in which Mr. Ma Hing Man is deemed to be interested by virtue of Part XV of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in the 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 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 other member of our Group.

For details of our Directors' interests in Shares immediately following completion of the Capitalisation Issue and the Global Offering, see the paragraph headed "Further Information about Substantial Shareholders, Directors and Experts – Disclosure of Interests" in Appendix IV.

CORNERSTONE INVESTORS

As part of the International Placing, the Company, the Sole Sponsor and the Sole Global Coordinator have entered into cornerstone investment agreements with Long Tai Hong Trading Limited (“**Long Tai Hong**”), Feng Cheng Handbags Industry Limited (“**Feng Cheng**”), Jing Xin Metal Zipper Factory (“**Jing Xin**”) and Mr. Gao Xiang (“**Mr. Gao**”), respectively (Long Tai Hong, Feng Cheng, Jing Xin and Mr. Gao, altogether the “**Cornerstone Investors**”, the agreement entered into between the Company and the respective Cornerstone Investor, the “**Cornerstone Investment Agreement**”).

Assuming an Offer Price of HK\$1.00 (being at the low end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate would be 30,000,000 Shares, representing (i) 30% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme, (ii) approximately 26.1% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 7.5% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme, and (iv) approximately 7.2% our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$1.19 (being at the mid-point of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate would be 25,204,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately (i) 25.2% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme, (ii) 21.9% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 6.3% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme, and (iv) 6.1% our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$1.38 (being at the high end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate would be 21,736,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately (i) 21.7% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme, (ii) 18.9% of total Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is fully exercised, (iii) 5.4% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under

CORNERSTONE INVESTORS

the Share Option Scheme, and (iv) 5.2% our Company's total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is fully exercised.

Cornerstone Investor(s)	Investment amount by the Cornerstone Investor(s) HK\$	Based on the Offer Price of HK\$1.19 (being the mid-point of the Offer Price range) approximate percentage of total Offer Shares initially available under the Global Offering assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme	approximate percentage of total issued share capital immediately after the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme
Long Tai			
Hong	10,000,000	8.4%	2.1%
Feng Cheng	10,000,000	8.4%	2.1%
Jing Xin	5,000,000	4.2%	1.05%
Mr. Gao	5,000,000	4.2%	1.05%

Save as otherwise disclosed in this prospectus, to the best knowledge of the Company, (i) each of the Cornerstone Investors is an independent third party and (ii) each of the Cornerstone Investors is independent from each other, not our connected person, and not an existing shareholder or close associate (as defined under the Listing Rules) of our Company. The Cornerstone Investors will acquire the Shares pursuant to, and as part of, the International Placing. The Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any representation on the Board or becomes a Substantial Shareholder of our Company upon completion of the Global Offering, or will subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements.

The Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the paragraph headed "Structure of the Global Offering – The Hong Kong Public Offer" in this prospectus.

CORNERSTONE INVESTORS

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH LONG TAI HONG, (“LONG TAI HONG AGREEMENT”)

Pursuant to the Long Tai Hong Agreement, Long Tai Hong has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$10,000,000. Assuming an Offer Price of HK\$1.00 (being at the low end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Long Tai Hong would be 10,000,000 Shares, representing 10% of total Offer Shares initially available under the Global Offering and 2.5% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.19, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by Long Tai Hong would be 8,402,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately 8.4% of the total Offer Shares initially available under the Global Offering and approximately 2.1% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.38 (being at the high end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Long Tai Hong would be 7,246,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately 7.2% of total Offer Shares initially available under the Global Offering and approximately 1.8% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme).

The cornerstone placing forms part of the International Placing and the Offer Shares to be subscribed for by Long Tai Hong will be counted towards the public float of our Company. The Shares to be purchased by Long Tai Hong might be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offer” in this prospectus. Long Tai Hong was one of our five largest suppliers during the Track Record Period providing us the raw materials of PVC/PU and its beneficial owners are independent from our Company, our connected persons and their respective associates.

Information about Long Tai Hong

Long Tai Hong is a company incorporated in Hong Kong with limited liability on 12 December 1986. As at the Latest Practicable Date, the total issued share capital of Long Tai Hong was HK\$3,000,000. Long Tai Hong is primarily engaged in import and export synthetic leather products.

CORNERSTONE INVESTORS

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH FENG CHENG (“FENG CHENG AGREEMENT”)

Pursuant to the Feng Cheng Agreement, Feng Cheng has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$10,000,000. Assuming an Offer Price of HK\$1.00 (being at the low end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Feng Cheng would be 10,000,000 Shares, representing 10% of total Offer Shares initially available under the Global Offering and 2.5% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.19, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by Feng Cheng would be 8,402,000 Shares (round down to the nearest board lot of 2,000 Shares), representing approximately 8.4% of the total Offer Shares initially available under the Global Offering and approximately 2.1% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.38 (being at the high end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Feng Cheng would be 7,246,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately 7.2% of total Offer Shares initially available under the Global Offering and approximately 1.8% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme).

The cornerstone placing forms part of the International Placing and the Offer Shares to be subscribed for by Feng Cheng will be counted towards the public float of our Company. The Shares to be purchased by Feng Cheng might be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offer” in this prospectus. Feng Cheng and its beneficial owner is independent from our Company, our connected persons and their respective associates.

Information about Feng Cheng

Feng Cheng is a company incorporated in Hong Kong with limited liability on 2 January 2013. As at the Latest Practicable Date, the total issued share capital of Feng Cheng was HK\$10,000. Feng Cheng is primarily engaged in trading of handbags.

CORNERSTONE INVESTORS

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH JING XIN (“JING XIN AGREEMENT”)

Pursuant to the Jing Xin Agreement, Jing Xin has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$5,000,000. Assuming an Offer Price of HK\$1.00 (being at the low end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Jing Xin would be 5,000,000 Shares, representing 5% of total Offer Shares initially available under the Global Offering and 1.25% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.19, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by Jing Xin would be 4,200,000 Shares (round down to the nearest board lot of 2,000 Shares), representing 4.2% of the total Offer Shares initially available under the Global Offering and 1.05% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.38 (being at the high end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Jing Xin would be 3,622,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing approximately 3.6% of total Offer Shares initially available under the Global Offering and approximately 0.9% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme).

The cornerstone placing forms part of the International Placing and the Offer Shares to be subscribed for by Jing Xin will be counted towards the public float of our Company. The number of Shares to be purchased by Jing Xin might be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offer” in this prospectus. Jing Xin was one of our five largest suppliers during the Track Record Period providing us the raw materials of metallic components and its sole proprietor is independent from our Company, our connected persons and their respective associates.

Information about Jing Xin

Jing Xin is a sole proprietorship run by Liu Shigui since 31 October 2006. Jing Xin is primarily engaged in trading of metallic components.

CORNERSTONE INVESTORS

KEY TERMS OF THE CORNERSTONE INVESTMENT AGREEMENT WITH MR. GAO (“GAO AGREEMENT”)

Pursuant to the Gao Agreement, Mr. Gao has agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$5,000,000. Assuming an Offer Price of HK\$1.00 (being at the low end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Mr. Gao would be 5,000,000 Shares, representing 5% of total Offer Shares initially available under the Global Offering and 1.25% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.19, the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares to be subscribed for by Mr. Gao would be 4,200,000 Shares (round down to the nearest board lot of 2,000 Shares), representing 4.2% of the total Offer Shares initially available under the Global Offering and 1.05% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme). Assuming an Offer Price of HK\$1.38 (being at the high end of the Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by Mr. Gao would be 3,622,000 Shares (rounded down to the nearest whole board lot of 2,000 Shares), representing 3.6% of total Offer Shares initially available under the Global Offering and 0.9% of our Company’s total issued share capital immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding the Shares which may be issued under the Share Option Scheme).

The cornerstone placing forms part of the International Placing and the Offer Shares to be subscribed for by Mr. Gao will be counted towards the public float of our Company. The number of Shares to be purchased by Mr. Gao might be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offer” in this prospectus.

Information about Mr. Gao

Mr. Gao is a business man independent from our Company, our connected persons and their respective associates.

CONDITIONS PRECEDENT

The subscription obligation of the respective Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into, having become effective and unconditional by no later than the time and date as specified in those Underwriting Agreements (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties);
- (2) neither of the Underwriting Agreements having been terminated;

CORNERSTONE INVESTORS

- (3) the Listing Committee having granted approval for the listing of, and permission to deal in, the Shares and such approval or permission having not been revoked;
- (4) the respective representations, warranties, undertakings, confirmations, agreements and acknowledgements of the respective Cornerstone Investor, the Guarantor (as defined in Feng Cheng Agreement), where applicable, and our Company in the respective Cornerstone Investment Agreement are (as of the date of the respective Cornerstone Investment Agreement) and will be (as of the Listing Date and, where applicable, the date to be notified by the Sole Global Coordinator to the relevant Cornerstone Investor pursuant to the relevant Cornerstone Investment Agreement) accurate and true in all material respects and not misleading and there being no material breach of the respective Cornerstone Investment Agreement on the part of the respective Cornerstone Investor and our Company;
- (5) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (6) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (on behalf of the Underwriters).

If any of the conditions contained in the above paragraph (1) to (6) have not been fulfilled or if such conditions have not been waived by the parties (except that the condition under the above paragraph (3) cannot be waived and that the condition under the above paragraph (4) can only be waived by the Sole Global Coordinator and the Sole Sponsor) on or before 22 January 2018 (or such other date as may be agreed among our Company, the relevant Cornerstone Investor, the Sole Global Coordinator and the Sole Sponsor), the obligation of the relevant Cornerstone Investor to subscribe for and purchase, and our Company's and the Sole Global Coordinator's obligations to issue, place, allocate and deliver (as the case may be), the Shares to the relevant Cornerstone Investor shall cease and any amount paid by the relevant Cornerstone Investor hereunder will be repaid to the relevant Cornerstone Investor without interest.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and each of the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the Cornerstone Investment Agreements) any of the Shares subscribed for by it pursuant to its respective Cornerstone Investment Agreement or any interest in any company or entity holding any of such Shares.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of our authorised and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

<i>Authorised share capital:</i>		<i>HK\$</i>
5,000,000,000	Shares of HK\$0.01 each	50,000,000
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
10,000	Share in issue before the Capitalisation Issue	100
299,990,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,900
<u>100,000,000</u>	Shares to be issued under the Global Offering	<u>1,000,000</u>
<u>400,000,000</u>	Shares in total	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering are made. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, and any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in “General Mandate to Issue Shares” and “General Mandate to Repurchase Shares” in this section.

RANKING

The Offer Shares, including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, will rank *pari passu* in all respects with all other Shares currently in issue or to be issued, and in particular, will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on 2 January 2018, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorised to capitalise a sum of HK\$2,999,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,990,000 Shares for allotment and issue to our sole Shareholder whose name appears on the register of members of our Company at the close of business of the business day immediately preceding the Listing Date (or another date as our Directors may direct). All the new Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our sole Shareholder passed on 2 January 2018, our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in “Share Option Scheme” in Appendix IV.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares with a total number of not more than the aggregate of:

1. 20% of the total number of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; and
2. the total number of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or the exercise of any options which may be granted under the Share Option Scheme.

This general mandate to allot and issue Shares will expire until the earliest of:

1. the conclusion of our Company’s next annual general meeting; or
2. the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
3. when varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

SHARE CAPITAL

For further details of this general mandate, see “Further Information about our Company – Written resolutions of our sole Shareholder passed on 2 January 2018” in Appendix IV.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number not more than 10% of the total number of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the requirements of the Listing Rules and all applicable laws. For the summary of the relevant requirements of the Listing Rules, see “Further Information about our Company – Repurchase of Shares by our Company” in Appendix IV.

This general mandate to repurchase Shares will expire until the earliest of:

1. the conclusion of our Company’s next annual general meeting; or
2. the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
3. when varied or revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Further Information about our Company – Written resolutions of our sole Shareholder passed on 2 January 2018” in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meetings or class meetings is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the summary of the constitution of the Company and Cayman Islands company law in Appendix III.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in “Appendix I – Accountant’s Report” to this prospectus. The combined financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.

OVERVIEW

We are one of the globally leading non-leather handbag original equipment manufacturers (OEM) and the leading non-leather handbag OEM in Cambodia in terms of sales revenue. We principally manufacture and sell handbags, such as top handle bag, shoulder bags, crossbody bags and tote bags. Our end customers are mainly well-known multinational fashion brand names headquartered in the U.S., Canada, Spain, Sweden and Japan. According to the F&S Report, we were the fifth largest non-leather handbag OEM globally, the largest non-leather handbag OEM in Cambodia and the second largest non-leather handbag OEM in the PRC in terms of sales revenue, and had a market share of 0.4% globally, 68.3% in Cambodia and 0.5% in the PRC in 2016.

Our products are mainly mass market and middle-end priced products in the retail market which are mainly non-leather handbags made of materials such as PVC, PU and various types of textile materials. During the Track Record Period, we generated 87.5%, 76.3%, 71.5% and 68.5% of our revenue from sales to North America, and the remaining revenue was generated mainly from sales to Europe and Asia. We mainly sell to internationally well-known brand names (including fast fashion brand names) or their sourcing companies. We have established over three years of business relationship with our top three customers during FY2015, FY2016 and FY2017.

During the Track Record Period, we generated revenue from the manufacture and sale of handbags. For each of the FY2015, FY2016 and FY2017, our total revenue was HK\$546.0 million, HK\$585.9 million, HK\$677.2 million, respectively, representing a CAGR of 11.4%, while our revenue increased from HK\$193.9 million in 4M2017 to HK\$237.9 million in 4M2018. Our profit for each of the three financial years was HK\$7.2 million, HK\$48.1 million and HK\$54.9 million, respectively, representing a CAGR of 175.4%, mainly due to our increase in cost efficiency demonstrated by an increase in gross profit margin from 12.2% in FY2015 to 20.6% in FY2017. Our profit for the period then increased from HK\$5.1 million in 4M2017 to HK\$16.5 million in 4M2018.

BASIS OF PRESENTATION AND PREPARATION

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRS issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in notes 1.3 and 2.1 in section II of the Accountant’s Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Demand for our products

Our results of operations are heavily affected by the demand for our products from our customers, which in turn is largely dependent on the general development of the fast fashion industry, the quality of our products and disposable income of our end customers. During the Track Record Period, we sold 10.3 million units, 10.5 million units and 12.1 million units of handbags, representing a CAGR of 8.4% between FY2015 and FY2017. Our sales of handbags increased from 3.5 million units in 4M2017 to 4.7 million units in 4M2018, representing an increase of 34.3%. Our revenue and margins will continue to be affected by new products launched, the fast fashion trend, and our ability to produce quality goods in a timely manner for our customers to seize the advantage of the fast fashion trend.

Market competition

We, as one of the major players in the non-leather handbag OEM industry in the PRC and accounted for 0.41% of the market share in the global non-leather handbag OEM industry in 2016, are able to maintain an increasing gross margin through the benefits of economies of scale and stringent cost control given the advantage of lower labour cost in Cambodia. The gross profit margins of our Group were 12.2%, 16.1%, 20.6% and 21.9% in FY2015, FY2016, FY2017 and 4M2018, respectively.

The non-leather handbag OEM industry is highly competitive and quite fragmented and there is no dominant player in the industry. The major competition factors include product quality, cost control and pricing. Enhancing our competitiveness will be a key factor to the success of our business expansion and improvement in our results of operations.

Seasonality

Our business is subject to seasonality. During the Track Record Period, we recorded relatively lower revenue in the first half of each calendar year due to the Chinese New Year holiday while a relatively higher demand in the second half of each calendar year due to a higher demand for festivals such as Christmas and New Year. Our revenue generated in the second half of 2015 and 2016 were approximately 40% higher than that generated in the first half of the corresponding calendar year. As such, any comparison of sales and results of operations between different periods within a single financial year for our Group may not be meaningful and should not be relied upon as indicators of our performance. Also, our trade receivables as at each calendar year end may not reflect the whole year's turnover, as the amount as at calendar year end would be higher than other points of time during the calendar year.

FINANCIAL INFORMATION

Cost of inventories sold and staff cost

Cost of inventories sold and staff cost are the major components of our costs and have direct impact on our profitability. During the Track Record Period, cost of inventories sold accounted for 69.2%, 62.6%, 60.8% and 60.8% of our cost of sales, respectively. Although prices for certain of the raw materials we use, such as PU and PVC, have declined in recent years due to the slump of oil price, they are expected to increase for the foreseeable future according to Frost & Sullivan.

On the other hand, during the Track Record Period, our number of employees and compensation level increased due to our business growth in both PRC and Cambodia. Our total staff costs (including our Directors' and senior management's remunerations) increased from HK\$45.3 million in FY2015 to HK\$65.3 million in FY2016 and further to HK\$108.6 million in FY2017, accounting for 8.3%, 11.1% and 16.0% of our total revenue, respectively, while our total staff costs increased from HK\$25.6 million in 4M2017 to HK\$47.9 million in 4M2018, accounting for 13.2% and 20.1% of our total revenue, respectively. We believe that our ability to control costs will continue to materially impact our operating results.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of inventories sold from our cost of sales on our profit before tax during the Track Record Period. Fluctuations in our cost of inventories sold from our cost of sales are assumed to be 5%, 10% and 15%, while fluctuations in total staff cost are assumed to be 10%, 15% and 20%.

	Decrease/increase in the cost of inventories sold		
	-/+5%	-/+10%	-/+15%
	HK\$'000	HK\$'000	HK\$'000
Increase/decrease in profit before tax			
FY2015	+/-16,583	+/-33,165	+/-49,748
FY2016	+/-15,386	+/-30,773	+/-46,159
FY2017	+/-16,344	+/-32,687	+/-49,031
4M2018	+/-5,650	+/-11,300	+/-16,951
	Decrease/increase in the staff costs		
	-/+10%	-/+15%	-/+20%
	HK\$'000	HK\$'000	HK\$'000
Increase/decrease in profit before tax			
FY2015	+/-4,526	+/-6,789	+/-9,052
FY2016	+/-6,526	+/-9,788	+/-13,051
FY2017	+/-10,859	+/-16,289	+/-21,718
4M2018	+/-4,793	+/-7,190	+/-9,586

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

FINANCIAL INFORMATION

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on (i) net realisable value of inventories; (ii) provision for impairment of trade and other receivables; (iii) useful lives and residual values of property, plant and equipment; and (iv) income tax, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out in notes 2 and 4 of the Accountant's Report contained in Appendix I to this prospectus for details.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table summarises the combined statement of comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue	546,043	100.0	585,940	100.0	677,214	100.0	193,911	100.0	237,905	100.0
Cost of sales	(479,314)	(87.8)	(491,875)	(83.9)	(537,597)	(79.4)	(159,224)	(82.1)	(185,825)	(78.1)
Gross profit	66,729	12.2	94,065	16.1	139,617	20.6	34,687	17.9	52,080	21.9
Other income, net	592	0.1	51	–	35	–	18	–	30	–
Other (losses)/gains, net	(6,609)	(1.2)	10,695	1.8	(6,100)	(0.9)	(9,936)	(5.1)	1,560	0.7
Selling and distribution expenses	(23,777)	(4.4)	(26,164)	(4.5)	(28,792)	(4.3)	(7,993)	(4.1)	(7,748)	(3.3)
Administrative expenses	(23,993)	(4.4)	(26,302)	(4.5)	(40,236)	(5.9)	(10,121)	(5.3)	(25,302)	(10.6)
Operating profit	12,942	2.3	52,345	8.9	64,524	9.5	6,655	3.4	20,620	8.7
Finance income	5	–	634	0.1	476	0.1	248	0.1	39	–
Finance costs	(1,315)	(0.2)	(1,234)	(0.2)	(1,686)	(0.2)	(464)	(0.2)	(655)	(0.3)
Finance costs, net	(1,310)	(0.2)	(600)	(0.1)	(1,210)	(0.1)	(216)	(0.1)	(616)	(0.3)
Profit before income tax	11,632	2.1	51,745	8.8	63,314	9.4	6,439	3.3	20,004	8.4
Income tax expenses	(4,388)	(0.8)	(3,612)	(0.6)	(8,383)	(1.3)	(1,343)	(0.7)	(3,485)	(1.5)
Profit for the year/period	7,244	1.3	48,133	8.2	54,931	8.1	5,096	2.6	16,519	6.9

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF COMBINED INCOME STATEMENTS

Revenue

Our revenue is generated from the manufacture and sales of handbags stated net of returns and discounts. Our revenue was derived from a single segment with our different production bases. The following table sets forth, for the periods indicated, the total revenue, the respective quantity sold and the respective average selling price:

FY2015			FY2016			FY2017			4M2017			4M2018		
Revenue	Quantity	Average Selling price	Revenue	Quantity	Average Selling price	Revenue	Quantity	Average Selling price	Revenue	Quantity	Average Selling price	Revenue	Quantity	Average Selling price
HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit	HK\$'000	Unit'000	HK\$/Unit
546,043	10,301	53.0	585,940	10,469	56.0	677,214	12,101	56.0	193,911	3,465	56.0	237,905	4,653	51.1
(unaudited)														

During the Track Record Period, the amount of discount to our customers were HK\$1.8 million, HK\$4.0 million, HK\$2.5 million and HK\$1.8 million for FY2015, FY2016, FY2017 and 4M2018, respectively, whilst no returns was recorded for the same periods.

During the Track Record Period, revenue generated by sales of products manufactured by our Dongguan Factory, by our sub-contractors at their own manufacturing facilities in the PRC and by our Cambodia Factory were set out below:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$ million	%	HK\$ million	%	HK\$ million	%	HK\$ million	%	HK\$ million	%
<i>In the PRC</i>	444.5	81.4	396.9	67.7	349.4	51.6	112.3	57.9	82.9	34.8
Dongguan Factory ⁽¹⁾	216.5	39.6	149.1	25.4	124.7	18.4	47.3	24.4	23.8	10.0
Off-site sub-contracting arrangements ⁽²⁾	228.0	41.8	247.8	42.3	224.7	33.2	65.0	33.5	59.1	24.8
<i>In Cambodia</i>										
Cambodia Factory	101.5	18.6	189.0	32.3	327.8	48.4	81.6	42.1	155.0	65.2
Total	546.0	100.0	585.9	100.0	677.2	100.0	193.9	100.0	237.9	100.0

Notes:

- (1) All manufacturing workers in our Dongguan Factory are provided by a sub-contractor under on-site sub-contracting arrangements during the Track Record Period.
- (2) This includes products manufactured under off-site sub-contracting arrangements where the relevant sub-contractor was engaged to manufacture the entire product, as opposed to conducting part of the production process, at their own facilities.

FINANCIAL INFORMATION

During the Track Record Period, our revenue increased from HK\$546.0 million in FY2015 to HK\$677.2 million in FY2017, representing a CAGR of 11.4%, while our quantity sold increased from 10.3 million units in FY2015 to 12.1 million unit in FY2017, representing a CAGR of 8.4%. Our revenue increased from HK\$193.9 million in 4M2017 to HK\$237.9 million in 4M2018, representing an increase of 22.7%, while our quantity sold increased from 3.5 million units in 4M2017 to 4.7 million units in 4M2018, representing an increase of 34.3%. This was mainly due to an increase in demand from our customers as a result of (i) business needs for certain fast fashion brands; and (ii) benefit of duty-free and quota-free exports of all goods (except arms and ammunition) to member states of the European Union in Cambodia following the “Everything But Arms” scheme. Please refer to the section headed “Risk Factors – Risks Relating to Conducting Business in Cambodia” in this prospectus for detailed description of such scheme. Our average selling price increased from HK\$53.0 per unit in FY2015 to HK\$56.0 per unit in FY2017 then decreased to HK\$51.1 per unit in 4M2018 due to different complexity of products sold. Enjoying the relatively lower labour costs and economies of scales from the production in our Cambodia Factory, our sales generated from the production of our Cambodia Factory increased from HK\$101.5 million in FY2015 to HK\$327.8 million in FY2017, accounting for increase from 18.6% to 48.4% of our total revenue in FY2015 and FY2017, respectively; and increased from HK\$81.6 million in 4M2017 to HK\$155.0 million in 4M2018, accounting for an increase from 42.1% to 65.2% of our total revenue in 4M2017 and 4M2018, respectively.

The following table sets forth, for the periods indicated, the breakdown of our sales by geographic locations based on the destination of the goods delivered to customers:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
North America ⁽¹⁾	478,011	87.5	446,971	76.3	484,254	71.5	129,781	66.9	163,088	68.5
Europe ⁽²⁾	20,055	3.7	73,114	12.5	118,448	17.5	41,219	21.3	56,058	23.6
Asia ⁽³⁾	28,796	5.3	50,713	8.7	56,486	8.3	15,267	7.9	14,261	6.0
Others ⁽⁴⁾	19,181	3.5	15,142	2.5	18,026	2.7	7,644	3.9	4,498	1.9
Total sales	546,043	100.0	585,940	100.0	677,214	100.0	193,911	100.0	237,905	100.0

Notes:

- (1) This includes the U.S. and Canada. In particular, revenue from sales with the U.S. as export destination were HK\$458.1 million, HK\$437.4 million, HK\$471.5 million and HK\$157.6 million, which represented 83.9%, 74.7%, 69.6% and 66.3% of the total revenue of our Group for FY2015, FY2016, FY2017 and 4M2018, respectively.
- (2) This includes Spain, Austria, Belgium, Croatia, Denmark, Germany, Greece, Italy, Malta, Netherlands, Norway, Poland, Serbia, Slovakia, Sweden, Switzerland, Turkey and UK. In particular, revenue from sales with Spain as export destination were HK\$1.1 million, HK\$38.1 million, HK\$65.8 million and HK\$32.5 million, which represented 0.2%, 6.5%, 9.7% and 13.7% of our total revenue for FY2015, FY2016, FY2017 and 4M2018, respectively.
- (3) This includes Japan, China, Hong Kong, India, Indonesia, Israel, Lebanon, Malaysia, Philippines, Russia, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, UAE and Vietnam. In particular, revenue from sales with Japan as export destination were HK\$10.5 million, HK\$27.1 million, HK\$24.9 million and HK\$5.0 million, which represented 1.9%, 4.6%, 3.7% and 2.1% of the total revenue of our Group for FY2015, FY2016, FY2017 and 4M2018, respectively.
- (4) Others include countries such as Australia, Brazil and Mexico.

FINANCIAL INFORMATION

During the Track Record Period, our revenue from North America as a proportion of our total revenue decreased from 87.5% in FY2015 to 71.5% in FY2017, while our revenue from Europe and Asia increased from 3.7% in FY2015 to 17.5% in FY2017, and 5.3% in FY2015 to 8.3% in FY2017, respectively. Our revenue from Europe increased from 21.3% in 4M2017 to 23.6% in 4M2018. This was mainly due to an increase in demand from certain fast fashion brand customers with majority of their products exported to Europe or other Asian countries.

Cost of sales

Our cost of sales was mainly comprised of (i) cost of inventories sold; (ii) labour costs; (iii) sub-contracting charges; and (iv) others.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by nature:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Cost of inventories sold	331,652	69.2	307,728	62.6	326,870	60.8	97,958	61.5	113,004	60.8
Sub-contracting charges	100,837	21.0	106,724	21.7	101,547	18.9	35,025	22.0	22,078	11.9
Direct labour	31,358	6.5	51,182	10.4	86,664	16.1	21,048	13.2	41,219	22.2
Tooling and cutting mould expenses	5,846	1.2	12,679	2.6	9,398	1.7	1,711	1.1	4,609	2.5
Others ^(Note)	9,621	2.1	13,562	2.7	13,118	2.5	3,482	2.2	4,915	2.6
	<u>479,314</u>	<u>100.0</u>	<u>491,875</u>	<u>100.0</u>	<u>537,597</u>	<u>100.0</u>	<u>159,224</u>	<u>100.0</u>	<u>185,825</u>	<u>100.0</u>

Note: Others mainly include packing expenses, freight charges and other overheads.

Our cost of inventories sold represented most of our cost of sales, accounting for 69.2%, 62.6%, 60.8% and 60.8% of our total cost of sales for each of the FY2015, FY2016, FY2017 and 4M2018, respectively. Our cost of inventories sold comprise cost of raw material and cost of finished goods. Cost of finished goods represented the sum we paid to sub-contractors under off-site sub-contracting arrangement where the relevant sub-contractor was engaged to manufacture the entire product and raw material was not provided by us. For FY2015, FY2016, FY2017 and 4M2018, our cost of raw material were HK\$199.0 million, HK\$224.5 million, HK\$261.0 million and HK\$86.0 million, respectively, and our cost of finished goods were HK\$132.6 million, HK\$83.2 million, HK\$65.8 million and HK\$27.0 million, respectively.

FINANCIAL INFORMATION

During the Track Record Period, the cost of finished goods had an overall decrease while the cost of raw material experienced an overall increase. The increase in cost of raw material was mainly due to the increase in production volume of the Cambodia Factory. The decrease in cost of finished goods was consistent with the increase in production volume in our Cambodia Factory and decrease in use of off-site sub-contracting arrangements as described above. As cost of raw material of a handbag is generally lower than cost of finished goods for the same handbag (which presumably include cost of raw material, production cost as well as profit earned by the sub-contractor), the cost of inventories sold did not show an overall increase from FY2015 to FY2017 and 4M2017 to 4M2018 as compared to a rising trend in revenue recorded by our Group over the same periods.

The following table sets forth, for the periods indicated, a breakdown of our cost of sales by our products manufactured by our Dongguan Factory, by our sub-contractors in their own production facilities in the PRC and by our Cambodia Factory:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
<i>In the PRC^(Note)</i>										
Dongguan	387,284	80.8	336,064	68.3	306,437	57.0	96,223	60.4	76,902	41.4
<i>In Cambodia</i>										
Cambodia Factory	<u>92,030</u>	<u>19.2</u>	<u>155,811</u>	<u>31.7</u>	<u>231,160</u>	<u>43.0</u>	<u>63,001</u>	<u>39.6</u>	<u>108,923</u>	<u>58.6</u>
	<u>479,314</u>	<u>100.0</u>	<u>491,875</u>	<u>100.0</u>	<u>537,597</u>	<u>100.0</u>	<u>159,224</u>	<u>100.0</u>	<u>185,825</u>	<u>100.0</u>

Note: This includes products manufactured in Dongguan Factory and by our sub-contractors in their own production facilities. All manufacturing workers in our Dongguan Factory are provided by a sub-contractor under sub-contracting arrangements during the Track Record Period.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by products manufactured by our Dongguan Factory, by our sub-contractors at their own manufacturing facilities in the PRC and by our Cambodia Factory for the periods indicated:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>In the PRC^(Note)</i>										
Dongguan	57,248	12.9	60,882	15.3	42,988	12.3	16,087	14.3	6,037	7.3
<i>In Cambodia</i>										
Cambodia Factory	<u>9,481</u>	9.3	<u>33,183</u>	17.6	<u>96,629</u>	29.5	<u>18,600</u>	22.8	<u>46,043</u>	29.7
	<u>66,729</u>	12.2	<u>94,065</u>	16.1	<u>139,617</u>	20.6	<u>34,687</u>	17.9	<u>52,080</u>	21.9

For each of the FY2015, FY2016, FY2017 and 4M2018, our gross profit amounted to HK\$66.7 million, HK\$94.1 million, HK\$139.6 million and HK\$52.1 million, respectively. The respective gross profit margin was 12.2%, 16.1%, 20.6% and 21.9%, respectively. Our gross profit margin increased during the Track Record Period, and was mainly attributable to an increase in production from our Cambodia Factory which is of higher gross profit margin due to its relatively lower staff costs and economies of scale compared to production in the PRC. We price our products on cost-plus basis and set the target profit margins taking into account factors such as export tariff borne by the customers. As handbags exported from Cambodia enjoy preferential tariff treatment in Canada, member states of the European Union and Japan, there is high demand for production capacity in Cambodia. Our Group therefore enjoyed a relatively higher gross profit margin for products manufactured in Cambodia. Our Directors does not expect that the increasing trend in the gross profit margin during the Track Record Period to continue going forward.

Note: This includes products manufactured in Dongguan Factory and by our sub-contractors in their own production facilities. All manufacturing workers in our Dongguan Factory are provided by a sub-contractor under sub-contracting arrangements during the Track Record Period.

FINANCIAL INFORMATION

Other income

Our other income mainly represents (i) rental income from our investment property situated in Hong Kong, which was disposed of in FY2016; and (ii) sundry income. Other income amounted to HK\$592,000, HK\$51,000, HK\$35,000 and HK\$30,000 for FY2015, FY2016, FY2017 and 4M2018, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental income	498	84.1	42	82.4	–	–	–	–	–	–
Sundry income	94	15.9	9	17.6	35	100.0	18	100.0	30	100.0
	<u>592</u>	<u>100.0</u>	<u>51</u>	<u>100.0</u>	<u>35</u>	<u>100.0</u>	<u>18</u>	<u>100.0</u>	<u>30</u>	<u>100.0</u>

Other (losses)/gains, net

Our other (losses)/gain, net mainly represents (i) realised and unrealised gain or losses on derivative financial instruments, which are forward foreign currency contracts to sell USD and to purchase RMB; (ii) gain on disposal of an investment property situated in Hong Kong in FY2016; and (iii) others. We recorded other net losses of HK\$6.6 million and HK\$6.1 million in FY2015 and FY2017, respectively, and other net gains of HK\$10.7 million and HK\$1.6 million for FY2016 and 4M2018, respectively. The following table sets forth a breakdown of our other (losses)/gains, net, for the periods indicated:

	FY2015	FY2016	FY2017	4M2017	4M2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Realised gains/(losses) on derivative financial instruments	665	(5,938)	(10,315)	(10,315)	–
Unrealised losses on derivative financial instruments	(8,315)	(3,490)	–	–	–
Net (losses)/gains on disposal of property, plant and equipment	(29)	309	(1,067)	–	–
Net exchanges gains/(losses)	712	(1,714)	3,101	108	1,050
Gain on disposal of an investment property	–	16,828	–	–	–
Gain on sales of scrap materials	358	4,700	2,181	271	510
	<u>(6,609)</u>	<u>10,695</u>	<u>(6,100)</u>	<u>(9,936)</u>	<u>1,560</u>

FINANCIAL INFORMATION

Selling and distribution expenses

Selling and distribution expenses primarily comprise transportation and customs charges, product testing and inspection fees, travelling expenses, entertainment expenses and others. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Transportation and customs charges	17,114	72.0	19,633	75.0	23,262	80.8	6,259	78.3	6,251	80.7
Product testing and inspection fees	1,697	7.1	1,315	5.0	1,438	5.0	499	6.2	613	7.9
Travelling expenses	1,044	4.4	1,300	5.0	1,285	4.5	493	6.2	294	3.8
Entertainment expenses	1,099	4.6	1,344	5.1	991	3.4	329	4.1	152	2.0
Others	2,823	11.9	2,572	9.9	1,816	6.3	413	5.2	438	5.6
	<u>23,777</u>	<u>100.0</u>	<u>26,164</u>	<u>100.0</u>	<u>28,792</u>	<u>100.0</u>	<u>7,993</u>	<u>100.0</u>	<u>7,748</u>	<u>100.0</u>

Selling and distribution expenses amounted to HK\$23.8 million, HK\$26.2 million, HK\$28.8 million and HK\$7.7 million for FY2015, FY2016, FY2017 and 4M2018, respectively, accounting for 4.4%, 4.5%, 4.3% and 3.3% of our revenue during the respective years/period, which is relatively stable throughout the Track Record Period.

Administrative expenses

Administrative expenses primarily comprise staff costs, listing expenses, insurance expenses, rental expenses in relation to our office and factory premises, depreciation on our property, plant and equipment and investment property, and others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2015		FY2016		FY2017		4M2017		4M2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Staff costs	13,904	58.0	14,073	53.5	21,927	54.5	4,577	45.2	6,712	26.5
Listing expenses	–	–	–	–	4,125	10.3	–	–	13,268	52.4
Insurance expenses	1,074	4.5	3,235	12.3	1,975	4.9	694	6.9	266	1.1
Depreciation and amortisation	2,043	8.5	1,925	7.3	1,949	4.8	649	6.4	672	2.7
Operating lease rental in respect of land and building	1,308	5.5	1,318	5.0	1,374	3.4	460	4.5	813	3.2
Motor vehicles expenses	850	3.5	842	3.2	867	2.2	520	5.1	407	1.6
Utilities expenses	452	1.9	428	1.6	684	1.7	192	1.9	131	0.5
Repairs and maintenance	430	1.8	284	1.1	733	1.8	47	0.5	358	1.4
Bank charges	416	1.7	528	2.0	562	1.4	248	2.5	202	0.8
Others ^(Note)	3,516	14.6	3,669	14.0	6,040	15.0	2,734	27.0	2,473	9.8
	<u>23,993</u>	<u>100.0</u>	<u>26,302</u>	<u>100.0</u>	<u>40,236</u>	<u>100.0</u>	<u>10,121</u>	<u>100.0</u>	<u>25,302</u>	<u>100.0</u>

Note: Others mainly comprised other taxes expenses and payroll tax expenses primarily for our Cambodia Factory, communication expenses and other office expenses.

Administrative expenses amounted to HK\$24.0 million, HK\$26.3 million, HK\$40.2 million and HK\$25.3 million for FY2015, FY2016, FY2017 and 4M2018, respectively, accounting for 4.4%, 4.5%, 5.9% and 10.6% of our revenue during the respective years/period.

Finance costs, net

Our finance income mainly represent interest income on bank deposit, which amounted to HK\$5,000, HK\$634,000, HK\$476,000 and HK\$39,000 for FY2015, FY2016, FY2017 and 4M2018, respectively. Our finance costs mainly represent interest expenses on our interest-bearing bank borrowings, bills payables and finance lease liabilities, which amounted to HK\$1.3 million, HK\$1.2 million, HK\$1.7 million and HK\$0.7 million for FY2015, FY2016, FY2017 and 4M2018, respectively.

FINANCIAL INFORMATION

Income tax expenses

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Islands profits tax

Our Group has not been subject to any taxation in the Cayman Islands

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5%, in the FY2015, FY2016, FY2017, 4M2017 and 4M2018 on the estimated assessable profits for the Track Record Period.

(iii) PRC enterprise income tax

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the company in our Group during the Track Record Period.

(iv) Cambodia corporate income tax

Pursuant to the Cambodia tax laws, Wah Sun Cambodia, one of our wholly-owned subsidiaries, is entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years starting from 1 January 2015.

Our income tax expenses were HK\$4.4 million, HK\$3.6 million, HK\$8.4 million and HK\$3.5 million for FY2015, FY2016, FY2017 and 4M2018, respectively, while the effective tax rates for the same period were 37.7%, 7.0%, 13.2% and 17.4%, respectively. The exceptionally low effective tax rate in FY2016 was mainly due to (i) income not being subject to tax mostly arising from gain on disposal of an investment property of HK\$16.8 million which is capital in nature; and (ii) tax holiday on assessable profits of Wah Sun Cambodia for four financial years starting from 1 January 2015.

However, if such tax holiday is no longer applicable to Wah Sun Cambodia starting from 1 January 2019, the income tax expense on assessable profits of Wah Sun Cambodia for the year ending 31 March 2019 is expected to increase and the tax rate will be 20% of the assessable profits of Wah Sun Cambodia during the three months ending 31 March 2019, under current tax law. On the basis that (i) for the year ending 31 March 2019, only the profits recorded during three months, being the period between 1 January 2019 to 31 March 2019, will be assessable profits of Wah Sun Cambodia; and (ii) as a reference, based on the management accounts of Wah Sun Cambodia, if there was no tax holiday for FY2017, the amount of additional income tax expenses would have been approximately HK\$3.7 million, which was a

FINANCIAL INFORMATION

relatively small portion, being approximately 5.9%, of the profit before tax of our Group for FY2017, the Directors are of the view that the end of tax holiday for Wah Sun Cambodia will not have a material adverse affect on the operations of our Group, and our Group will continue to primarily utilise the production facilities in Cambodia going forward.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Transfer pricing

Our Group's major intra-group transactions were the tangible goods buy-sell transactions between Wah Sun Cambodia/Dongguan Quickmind and Wah Sun HK. Among those transactions, Wah Sun Cambodia and Dongguan Quickmind functions as contract manufacturers by providing products to Wah Sun HK based on their orders.

Our Group has engaged an independent tax adviser to conduct a benchmarking study to evaluate the transfer pricing arrangement in relation to the above-mentioned intra-group transactions. By employing the prescribed third party database, the study presented a comparable search where different quantitative and qualitative screening criteria were used to come up with a set of comparable independent companies and construct an arm's length profit range based on the latest three years financials of the comparable companies accordingly. Based on the analysis, the three-years weighted average profit margin generated by Wah Sun Cambodia and Dongguan Quickmind from their cross-border inter-company transactions during the Track Record Period were both within the normal industry profit range.

REVIEW OF HISTORICAL RESULTS OF OPERATION

4M2018 compared to 4M2017

Revenue

Our revenue increased by HK\$44.0 million or 22.7% to HK\$237.9 million in 4M2018 from HK\$193.9 million in 4M2017 mainly as a result of increase in quantity sold by 1.2 million units, which was due to increase in demand from our customers as a result of (i) increase in business needs for certain fast fashion brands; and (ii) benefit of duty-free and quota-free exports of all goods (except arms and ammunition) to the United States and member states of the European Union from Cambodia following the expansion of the Generalised System of Preferences by the United States in mid-2016 and the "Everything But Arms" scheme for exports to member states of the European Union. The average selling price decreased from HK\$56.0 per unit in 4M2017 to HK\$51.1 per unit in 4M2018 as a result of different complexity of products sold.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased by HK\$26.6 million or 16.7% to HK\$185.8 million in 4M2018 from HK\$159.2 million in 4M2017. Such increase was mainly due to increase in (i) direct labour costs of HK\$20.2 million as a result of increase in headcounts and their compensation level to cope with our business development; and (ii) cost of inventories sold of HK\$15.0 million as a result of increase in quantity sold. The increase was partially offset by the decrease in sub-contracting charges of HK\$12.9 million as we increased the total production in our Cambodia Factory in order to enjoy the lower labour costs and economies of scale.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK\$17.4 million or 50.1% from HK\$34.7 million in 4M2017 to HK\$52.1 million in 4M2018. Our gross profit margin increased from 17.9% in 4M2017 to 21.9% in 4M2018, which was mainly due to increase in total gross profit generated from our Cambodia Factory which is of higher gross profit margin given the lower labour costs and economies of scale we enjoyed.

Other income, net

Other net income remained relatively low at HK\$18,000 and HK\$30,000 in 4M2017 and 4M2018.

Other (losses)/gains, net

We recorded other net losses of HK\$9.9 million in 4M2017 compared to other net gains of HK\$1.6 million in 4M2018 mainly as a result of absence of realised losses on derivative financial instruments of HK\$10.3 million which were recorded in 4M2017.

Selling and distribution expenses

Selling and distribution expenses decreased by HK\$0.3 million or 3.8% to HK\$7.7 million in 4M2018 from HK\$8.0 million in 4M2017. The decrease was primarily due to decrease in travelling expenses and entertainment expenses as a result of our effort of cost control.

Administrative expenses

Administrative expenses increased by HK\$15.2 million or 150.5% to HK\$25.3 million in 4M2018 from HK\$10.1 million in 4M2017. The increase was primarily due to increase in (i) listing expenses of HK\$13.3 million; and (ii) staff costs of HK\$2.1 million due to increase in headcounts and their compensation level.

FINANCIAL INFORMATION

Finance costs, net

Net finance costs increased by HK\$0.4 million or 200.0% from HK\$0.2 million in 4M2017 to HK\$0.6 million in 4M2018. The increase in net finance costs was mainly due to combined effect of increase in interest expenses on (i) bank borrowings of HK\$0.2 million due to increase in average bank borrowings and bank overdraft; and (ii) interest income on bank deposits of HK\$0.2 million due to decrease in average cash and cash equivalents balance.

Income tax expenses

Our income tax expenses increased by HK\$2.2 million or 169.2% to HK\$3.5 million in 4M2018 from HK\$1.3 million in 4M2017. The increase was mainly due to increase in assessable profit for the period. Our effective tax rate decreased from 20.9% in 4M2017 to 17.4% in 4M2018. The decrease in effective tax rate in 4M2018 was mainly due to the combined result of tax holiday on assessable profits of Wah Sun Cambodia for four financial years starting from 1 January 2015 and expenses not deductible for tax purposes mainly due to the listing expenses incurred in 4M2018.

Profit for the period

As a result of the foregoing, profit for the period increased by HK\$11.4 million or 223.5% to HK\$16.5 million in 4M2018 from HK\$5.1 million in 4M2017. Our net profit margin increased from 2.6% in 4M2017 to 6.9% in 4M2018 which was mainly due to the combined effect of (i) increase in gross profit margin from 17.9% in 4M2017 to 21.9% in 4M2018; (ii) absence of realised losses on derivative financial instruments; and (iii) listing expenses. Excluding the effect of the one off realised and unrealised (losses)/gains on derivative financial instruments and listing expenses, the net profit margin increased from 7.9% in 4M2017 to 12.5% in 4M2018 which was mainly due to our enhanced production efficiency.

FY2017 compared to FY2016

Revenue

Our revenue increased by HK\$91.3 million or 15.6% to HK\$677.2 million in FY2017 from HK\$585.9 million in FY2016 mainly as a result of increase in quantity sold by 1.6 million units, which was due to increase in demand from our customers as a result of (i) increase in business needs for certain fast fashion brands; and (ii) benefit of duty-free and quota-free exports of all goods (except arms and ammunition) to the United States and member states of the European Union from Cambodia following the expansion of the Generalised System of Preferences by the United States in mid-2016 and the “Everything But Arms” scheme for exports to member states of the European Union. The average selling price remained relatively stable at HK\$56.0 per unit as a result of different complexity of products sold.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased by HK\$45.7 million or 9.3% to HK\$537.6 million in FY2017 from HK\$491.9 million in FY2016. Such increase was mainly due to increase in (i) direct labour costs of HK\$35.5 million as a result of increase in headcounts and their compensation level to cope with our business development; and (ii) cost of inventories sold of HK\$19.1 million as a result of the combined effect of (a) increase in cost of raw material due to increase in quantity sold and (b) decrease in cost of finished goods in line with our decrease in use of off-site sub-contracting arrangements following shift of production to Cambodia. The increase was partially offset by the decrease in sub-contracting charges of HK\$5.2 million as we increased total production in our Cambodia Factory in order to enjoy the lower labour costs and economies of scale.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK\$45.5 million or 48.4% from HK\$94.1 million in FY2016 to HK\$139.6 million in FY2017. Our gross profit margin increased from 16.1% in FY2016 to 20.6% in FY2017, which was mainly due to increase in total gross profit generated from our Cambodia Factory which is of higher gross profit margin given (i) the lower labour costs and economies of scale we enjoyed and (ii) we set relatively higher target profit margin for products manufactured in Cambodia due to high demand, which was driven by preferential tariff treatment provided by various countries for products manufactured in Cambodia.

Other income, net

Other net income decreased by HK\$16,000 or 31.4% to HK\$35,000 in FY2017 from HK\$51,000 in FY2016 mainly as a result of decrease in rental income of HK\$42,000 due to disposal of an investment property in May 2015.

Other (losses)/gains, net

We recorded other net losses of HK\$6.1 million in FY2017 compared to other net gains of HK\$10.7 million in FY2016 mainly as a result of (i) absence of gain on disposal of an investment property of HK\$16.8 million which was disposed of in FY2016; (ii) increase in total realised and unrealised losses on derivative financial instruments, being our forward foreign currency contracts, of HK\$887,000. The other losses in FY2017 was partially offset by the net exchange gain of HK\$3.1 million in FY2017 due to depreciation of RMB against HK\$.

Selling and distribution expenses

Selling and distribution expenses increased by HK\$2.6 million or 9.9% to HK\$28.8 million in FY2017 from HK\$26.2 million in FY2016. The increase was primarily due to increase in transportation and customs charges and product testing and inspection fees of HK\$3.6 million and HK\$0.1 million, respectively, as a result of increase in sales.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses increased by HK\$13.9 million or 52.9% to HK\$40.2 million in FY2017 from HK\$26.3 million in FY2016. The increase was primarily due to increase in (i) staff costs of HK\$7.9 million due to increase in headcounts and their compensation level; (ii) listing expenses of HK\$4.1 million; and (iii) others of HK\$2.4 million mainly due to other tax expenses and payroll tax expenses for our Cambodia Factory, communication expenses and other office expenses following the expansion of our operation.

Finance costs, net

Net finance costs increased by HK\$0.6 million or 100.0% from HK\$0.6 million in FY2016 to HK\$1.2 million in FY2017. The increase was mainly due to increase in interest expenses on (i) bank borrowings of HK\$0.3 million due to increase in average bank borrowings; and (ii) bills payables of HK\$0.2 million.

Income tax expenses

Our income tax expenses increased by HK\$4.8 million or 133.3% from HK\$3.6 million in FY2016 to HK\$8.4 million in FY2017. The increase was mainly due to increase in assessable profit for the year. Our effective tax rate increased from 7.0% in FY2016 to 13.2% in FY2017. The increase in effective tax rate in FY2017 was mainly due to decrease in income not subject to tax mostly arising from gain on disposal of an investment property which is capital in nature. The effective tax rate was partially offset by increase in tax holiday on assessable profits of Wah Sun Cambodia for four financial years starting from 1 January 2015.

Profit for the year

As a result of the foregoing, profit for the year increased by HK\$6.8 million or 14.1% to HK\$54.9 million in FY2017 from HK\$48.1 million in FY2016. Our net profit margin remained stable at 8.2% and 8.1%, respectively, for FY2016 and FY2017 which was mainly due to the combined effect of (i) increase in gross profit margin from 16.1% in FY2016 to 20.6% in FY2017; (ii) absence of gain on disposal of an investment property; and (iii) listing expenses. Excluding the effect of the one off gain on disposal of an investment property, realised and unrealised (losses)/gains on derivative financial instruments and listing expenses, the net profit margin increased from 7.0% in FY2016 to 10.2% in FY2017 which was mainly due to our enhanced production efficiency.

FY2016 compared to FY2015

Revenue

Our revenue slightly increased by HK\$39.9 million or 7.3% to HK\$585.9 million in FY2016 from HK\$546.0 million in FY2015 mainly as a result of increase in average selling price from HK\$53.0 per unit in FY2015 to HK\$56.0 per unit in FY2016 as a result of different complexity of products sold while quantity sold remained relatively stable at 10.3 million units and 10.5 million units in FY2015 and FY2016, respectively.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased by HK\$12.6 million or 2.6% to HK\$491.9 million in FY2016 from HK\$479.3 million in FY2015. Such increase was mainly due to increase in (i) direct labour costs of HK\$19.8 million as a result of increase in headcounts and their compensation level to cope with our business development; (ii) tooling and cutting mould expenses of HK\$6.8 million as a result of increased new models of more complex designs developed; (iii) sub-contracting charges of HK\$5.9 million; and (iv) other overheads of HK\$3.9 million mainly due to increase in packing expenses and freight charges due to increase in sales. The increase was partially offset by the decrease cost of inventories sold of HK\$23.9 million as a result of the combined effect of (a) decrease in cost of finished goods in line with our decrease in use of off-site sub-contracting arrangements following shift of production to Cambodia; and (b) increase in cost of raw material due to increase in quantity sold which was offset by decrease in certain material prices for PU and PVC.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK\$27.4 million or 41.1% from HK\$66.7 million in FY2015 to HK\$94.1 million in FY2016. Our gross profit margin increased from 12.2% in FY2015 to 16.1% in FY2016, which was mainly due to increase in total gross profit generated from our Cambodia Factory which is of higher gross profit margin given (i) the lower labour costs and economies of scale we enjoyed and (ii) we set relatively higher target profit margin for products manufactured in Cambodia due to high demand, which was driven by preferential tariff treatment provided by various countries for products manufactured in Cambodia.

Other income, net

Other net income decreased by HK\$541,000 or 91.4% to HK\$51,000 in FY2016 from HK\$592,000 in FY2015 mainly as a result of decrease in rental income of HK\$456,000 due to disposal of an investment property in May 2015.

Other (losses)/gains, net

We recorded other net gains of HK\$10.7 million in FY2016 compared to other net losses of HK\$6.6 million in FY2015 mainly as a result of (i) gain on disposal of an investment property of HK\$16.8 million which was disposed in FY2016; (ii) increase in total realised and unrealised losses on derivative financial instruments, being our forward foreign currency contracts, of HK\$1.8 million due to disposal and changes in fair values; and (iii) increase in gain on sales of scrap materials of HK\$4.3 million.

Selling and distribution expenses

Selling and distribution expenses increased by HK\$2.4 million or 10.1% to HK\$26.2 million in FY2016 from HK\$23.8 million in FY2015. The increase was primarily due to increase in transportation and customs charges of HK\$2.5 million as a result of increase in sales.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses increased by HK\$2.3 million or 9.6% to HK\$26.3 million in FY2016 from HK\$24.0 million in FY2015. The increase was primarily due to increase in (i) insurance expenses of HK\$2.2 million mainly for our Cambodia Factory; and (ii) increase in staff costs of HK\$0.2 million mainly due to increase in headcounts and compensation level.

Finance costs, net

Our net finance costs decreased by HK\$0.7 million from HK\$1.3 million in FY2015 to HK\$0.6 million in FY2016. The decrease was mainly due to increase in interest income on bank deposit of HK\$0.6 million mainly arising from increase in pledged bank deposit.

Income tax expenses

Income tax expenses decreased by HK\$0.8 million or 18.2% from HK\$4.4 million in FY2015 to HK\$3.6 million in FY2016 despite increase in profit before income tax. Our effective tax rate decreased from 37.7% in FY2015 to 7.0% in FY2016 mainly due to (i) income not subject to tax mainly arising from disposal of an investment property of HK\$16.8 million; (ii) decrease in expenses not deductible for tax purposes mostly arising from unrealised losses on derivative financial instruments; and (iii) decrease in tax losses from Wah Sun Cambodia which was not recognised during tax exemption period; and (iv) tax holiday on assessable profits of Wah Sun Cambodia for four financial years starting from 1 January 2015.

Profit for the year

As a result of the foregoing, profit for the year increased by HK\$40.9 million or 568.1% to HK\$48.1 million in FY2016 from HK\$7.2 million in FY2015. Our net profit margin increased from 1.3% in FY2015 to 8.2% in FY2016 which was mainly due to the combined effect of (i) increase in gross profit margin from 12.2% in FY2015 to 16.1% in FY2016; and (ii) gain on disposal of an investment property. Excluding the effect of the one off gain on disposal of an investment property, realised and unrealised gain/(losses) on derivative financial instruments, the net profit margin increased from 2.7% in FY2015 to 7.0% in FY2016 which was mainly due to our enhanced production efficiency and our strategies to attract more fast fashion customers.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of procurement of inventories from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and bank borrowings. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have (i) settled all non-trade related parties balances; and (ii) additional funds from proceeds of the Global offering for implementing our future plans as detailed under the section headed “Future plans and use of proceeds” in this Prospectus.

FINANCIAL INFORMATION

The following table summarises, for the periods indicated, our statements of cash flows:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	4M2017 <i>HK\$'000</i> (unaudited)	4M2018 <i>HK\$'000</i>
Net cash generated from/ (used in) operating activities	41,339	18,383	54,329	7,945	(19,740)
Net cash used in investing activities	(12,438)	(34,489)	(73,139)	(37,972)	(12,431)
Net cash (used in)/ generated from financing activities	<u>(6,462)</u>	<u>10,792</u>	<u>32,208</u>	<u>14,264</u>	<u>(5,812)</u>
Net increase/(decrease) in cash and cash equivalents	22,439	(5,314)	13,398	(15,763)	(37,983)
Cash and cash equivalents at beginning of the years/periods	20,694	43,139	37,848	37,848	51,365
Exchange gains/(losses) on cash and cash equivalents	<u>6</u>	<u>23</u>	<u>119</u>	<u>42</u>	<u>(88)</u>
Cash and cash equivalents at end of the years/periods	<u><u>43,139</u></u>	<u><u>37,848</u></u>	<u><u>51,365</u></u>	<u><u>22,127</u></u>	<u><u>13,294</u></u>

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our sale of handbags. Our cash outflow used in operating activities was principally for purchase of raw materials and related costs used for production.

In 4M2018, our net cash used in operating activities of HK\$19.7 million was a combined result of operating cash inflow before changes in working capital of HK\$23.4 million, which was in line with our operations, and negative changes in working capital of HK\$42.3 million. Changes in working capital primarily reflected an increase in trade receivables and inventories of HK\$46.3 million and HK\$12.1 million, respectively, as a result of increase in sales and purchase of raw materials to cater for our business needs. The negative changes was partially offset by increase in trade and bills payables of HK\$12.4 million due to increase in purchase of raw materials to cater for our business needs.

In FY2017, our net cash generated from operating activities of HK\$54.3 million was a combined result of operating cash inflow before changes in working capital of HK\$73.4 million, which was in line with our operations, and negative changes in working capital of HK\$15.5 million. Changes in working capital primarily reflected an increase in trade receivables and inventories of HK\$36.8 million and HK\$11.1 million, respectively, as a result of increase in sales and purchase of raw materials to cater for our business needs. The negative

FINANCIAL INFORMATION

changes was partially offset by increase in trade and bills payables of HK\$25.1 million due to increase in purchase of raw materials to cater for our business needs.

In FY2016, our net cash generated from operating activities of HK\$18.4 million was a combined result of operating cash inflow before changes in working capital of HK\$45.5 million, which was in line with our operations, and negative changes in working capital of HK\$21.3 million. Changes in working capital primarily reflected a decrease in trade and bills payables of HK\$32.8 million due to settlements. The negative changes was partially offset by decrease in inventories of HK\$15.4 million due to decrease in purchase of certain raw material before year end.

In FY2015, our net cash generated from operating activities of HK\$41.3 million was a combined result of operating cash inflow before changes in working capital of HK\$26.2 million, which was in line with our operations, and positive changes in working capital of HK\$18.7 million. Changes in working capital primarily reflected an increase in trade and bills payables of HK\$37.9 million due to increase in purchase of raw materials to cater for our business needs and decrease in trade receivables of HK\$13.4 million due to settlement. The positive changes was partially offset by decrease in accruals and other payables of HK\$15.8 million and increase in inventories of HK\$12.4 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of property, plant and equipment and an investment property. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment.

In 4M2018, our Group had net cash used in investing activities of HK\$12.4 million primarily attributable to (i) purchase of property, plant and equipment of HK\$6.4 million for our factories; and (ii) advances to directors of HK\$5.5 million.

In FY2017, our Group had net cash used in investing activities of HK\$73.1 million primarily attributable to (i) advances to directors of HK\$64.3 million; and (ii) purchase of property, plant and equipment of HK\$13.2 million for our factories.

In FY2016, our Group had net cash used in investing activities of HK\$34.5 million primarily attributable to (i) increase in pledged bank deposits of HK\$26.0 million mostly from the proceeds from disposal of an investment property; (ii) purchase of property, plant and equipment of HK\$14.4 million for our factories; and (iii) advances to directors of HK\$15.6 million. The cash outflow was partially offset by the proceeds from disposal of an investment property of HK\$25.3 million.

In FY2015, our Group had net cash used in investing activities of HK\$12.4 million primarily attributable to (i) purchase of property, plant and equipment of HK\$5.9 million for our factories; (ii) advances to related parties of HK\$1.6 million; and (iii) advances to directors of HK\$5.0 million.

FINANCIAL INFORMATION

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings. Our cash outflow used in financing activities was principally for the repayment of borrowings and dividend.

In 4M2018, our Group had net cash used in financing activities of HK\$5.8 million primarily attributable to repayment of bank borrowings of HK\$5.0 million.

In FY2017, our Group had net cash generated from financing activities of HK\$32.2 million primarily attributable to proceeds from bank borrowings of HK\$39.1 million and advances from directors of HK\$12.7 million. The cash inflow was partially offset by the repayment of borrowings of HK\$17.7 million.

In FY2016, our Group had net cash generated from financing activities of HK\$10.8 million primarily attributable to (i) advances from directors of HK\$30.2 million; (ii) proceeds from borrowings of HK\$4.2 million; and (iii) capital contribution of HK\$3.0 million. The cash inflow was partially offset by (i) dividends payment of HK\$20.0 million; and (ii) repayment of borrowings of HK\$5.2 million.

In FY2015, our Group had net cash used in financing activities of HK\$6.5 million primarily attributable to (i) dividends payment of HK\$10.0 million; and (ii) repayment of borrowings of HK\$7.1 million. The cash outflow was partially offset by proceeds from borrowings of HK\$2.8 million and advance from directors of HK\$9.3 million.

FINANCIAL INFORMATION

Net Current Assets and Liabilities

We recorded net current liabilities of HK\$15.0 million as at 31 March 2015 and net current assets of HK\$16.4 million, HK\$25.8 million, HK\$39.3 million and HK\$50.9 million as at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 March			As at 31 July 2017	As at 30 November 2017
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Current assets					
Inventories	48,478	33,746	46,216	58,047	71,302
Trade receivables	60,912	61,276	98,108	144,426	97,721
Prepayments, deposits and other receivables	7,653	12,514	11,246	12,670	8,778
Amount due from a director	–	–	10,643	13,952	14,658
Amounts due from related parties	6,200	9,978	8,180	10,064	10,064
Current income tax recoverable	–	757	379	139	139
Pledged bank deposits	–	25,968	20,251	20,285	20,323
Cash and cash equivalents	43,139	37,848	51,365	15,771	62,291
	<u>166,382</u>	<u>182,087</u>	<u>246,388</u>	<u>275,354</u>	<u>285,276</u>
Current liabilities					
Trade and bills payables	125,719	92,957	118,285	129,913	138,033
Accruals and other payables	4,365	5,909	11,800	16,942	16,762
Amounts due to directors	13,915	29,283	49,022	46,865	41,128
Amount due to a related party	4,609	3,601	1,527	2,712	2,712
Current income tax liabilities	1,381	–	4,387	6,755	10,413
Borrowings	14,954	14,093	35,536	32,898	25,303
Derivative financial instruments	16,401	19,891	–	–	–
	<u>181,344</u>	<u>165,734</u>	<u>220,557</u>	<u>236,085</u>	<u>234,351</u>
Net current (liabilities)/assets	<u>(14,962)</u>	<u>16,353</u>	<u>25,831</u>	<u>39,269</u>	<u>50,925</u>

Our Group's net current assets increased from net current liabilities of HK\$15.0 million as at 31 March 2015 to net current assets of HK\$16.4 million as at 31 March 2016 primarily due to our operating cash inflow of HK\$18.4 million and disposal of an investment property at the consideration of HK\$25.3 million. The increase in net current assets was primarily due to decrease in trade and bills payables of HK\$32.8 million as a result of settlement. The increase was partially offset by decrease in inventories of HK\$14.7 million as a result of decrease in raw materials of HK\$16.1 million due to different timing of purchase.

FINANCIAL INFORMATION

Our Group's net current assets increased to HK\$25.8 million as at 31 March 2017 primarily due to our operating cash inflow of HK\$54.3 million and transfer of our derivative forward contracts. The increase was primarily due to increase in current assets which was mainly represented by (i) increase in trade receivables of HK\$36.8 million due to our increase in sales near year end in FY2017 compared to that of FY2016; and (ii) increase in cash and cash equivalents of HK\$13.5 million from our operations. The increase was partially offset by the increase in current liabilities which was mainly represented by (i) increase in trade and bills payables of HK\$25.3 million mainly due to increase in purchase of raw material to cater for our business needs; (ii) increase in current portion of borrowings of HK\$21.4 million for our operations; and (iii) increase in amounts due to directors of HK\$19.7 million mainly due to dividend payables.

Our Group's net current assets then increased to HK\$39.3 million as at 31 July 2017 primarily due to (i) increase in trade receivables of HK\$46.3 million due to our sales during 4M2018; and (ii) increase in inventories of HK\$11.8 million to cater for our business needs. The increase was partially offset by the increase in current liabilities which was mainly represented by (i) increase in trade and bills payables of HK\$11.6 million mainly due to increase in purchase of raw material to cater for our business needs; and (ii) increase in accruals and other payables of HK\$5.1 million mainly for increased accrued salaries due to increase in headcounts and total compensation and increased accrued customs charges in Cambodia.

Our Group's net current assets then further increased to HK\$50.9 million as at 30 November 2017 primarily due to (i) increase in cash and cash equivalents of HK\$46.5 million due to operating cash inflows during the period; (ii) increase in inventories of HK\$13.3 million to cater for our business needs; and (iii) decrease in current borrowings of HK\$7.6 million as a result of settlement. The increase was partially offset by the decrease in current assets which was mainly represented by decrease in trade receivables of HK\$46.7 million mainly due to repayments from the customers.

Our Group's assets in Cambodia

As at 31 March 2015, 2016, 2017 and 31 July 2017, the non-current assets located in Cambodia of HK\$20.8 million, HK\$22.3 million, HK\$30.3 million and HK\$34.8 million, respectively. Based on the unaudited management accounts of our Group made up to 30 November 2017, the non-current assets of our Group in Cambodia as at 30 November 2017 was HK\$34.1 million.

Our current assets located in Cambodia as at 31 March 2015, 2016, 2017 and 31 July 2017 were HK\$29.5 million, HK\$18.4 million, HK\$29.1 million and HK\$50.9 million, respectively. Based on the unaudited management accounts of Wah Sun Cambodia made up to 30 November 2017, the current assets of our Group in Cambodia as at 30 November 2017 was HK\$67.5 million.

FINANCIAL INFORMATION

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment and investment property

Our property, plant and equipment consist of buildings, plant, machinery and moulds, motor vehicles, furniture and fixtures and construction in progress for our production. As at 31 March 2015, 2016, 2017 and 31 July 2017, the carrying amount of our property, plant and equipment amounted to HK\$29.3 million, HK\$37.5 million, HK\$42.1 million and HK\$45.7 million, respectively. The increase was mainly due to additions of plant, machinery and moulds and construction in progress for our Cambodia Factory.

Investment property represented the property situated in Hong Kong which was held for long-term rental yields or for capital appreciation or both. Our investment property is measured initially at their costs. The investment property is then measured at cost less accumulated depreciation and any provision for impairment losses after initial recognition. Our investment property amounted to HK\$8.6 million as at 31 March 2015, and it was disposed of in FY2016 at a consideration of HK\$25.3 million resulting in gain on disposal of HK\$16.8 million in FY2016.

FINANCIAL INFORMATION

Inventories

Our inventories consist of raw materials, work in progress and finished goods we manufacture which are ready to be sold. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	32,705	16,576	31,180	31,643
Work in progress	13,731	13,869	8,713	13,077
Finished goods	2,042	3,301	6,323	13,327
	<u>48,478</u>	<u>33,746</u>	<u>46,216</u>	<u>58,047</u>

Our balance of inventories decreased from HK\$48.5 million as at 31 March 2015 to HK\$33.7 million as at 31 March 2016 mainly due to decrease in our raw materials due to different timing of purchase. The balance then increased to HK\$46.2 million and HK\$58.0 million as at 31 March 2017 and 31 July 2017, respectively, mainly to cater for the expected increase in sales.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Provision is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, no provision for impairment was recognised.

The following table sets forth the turnover days of our inventories for the periods indicated.

	FY2015	FY2016	FY2017	4M2018
Average turnover days of inventories ⁽¹⁾	32	31	27	34

(1) Average turnover days of inventories for FY2015, FY2016, FY2017 and 4M2018 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by total cost of sales and multiplying by 365/120 days.

Our average turnover days of inventories remained relatively low at 32 days, 31 days, 27 days and 34 days in FY2015, FY2016, FY2017 and 4M2018, respectively, which is in line with our inventory policy.

As at 30 November 2017, HK\$55.8 million or 96.1% of our inventories as at 31 July 2017 had been sold or utilised.

FINANCIAL INFORMATION

Trade receivables

Our trade receivables primarily consist of trade receivables from customers for sales of our handbags. Our trade receivables remained relatively stable at HK\$60.9 million and HK\$61.3 million as at 31 March 2015 and 2016, respectively. The balance then increased to HK\$98.1 million and HK\$144.4 million as at 31 March 2017 and 31 July 2017, respectively, which was mainly due to increase in sales near year ended 31 March 2017 compared to that of 2016 and sales during 4M2018.

Our Group assess the potential customer's credit quality before granting credit to it. The credit period is generally for a period of 30 to 90 days for major customers. We typically do not require any collateral as security.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we will make provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets.

As at 31 March 2015, 2016, 2017 and 31 July 2017, no provisions for individually impaired trade receivables were recorded.

The following table sets forth the aging analysis of our trade receivables which are past due but not impaired, as at the dates indicated:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	9,717	14,640	21,031	23,863
31-60 days	1,312	48	400	2,122
61-90 days	259	1	24	323
Over 90 days	–	14	17	42
	<hr/>	<hr/>	<hr/>	<hr/>
Total	11,288	14,703	21,472	26,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2015, 2016, 2017 and 31 July 2017, trade receivables of HK\$11.3 million, HK\$14.7 million, HK\$21.5 million and HK\$26.4 million, respectively, were past due but not impaired, of which 86.1%, 99.6%, 97.9% and 90.6% were past due within 1 to 30 days. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable.

As at 30 November 2017, HK\$144.1 million or 99.7% of our trade receivables outstanding as at 31 July 2017 were settled.

FINANCIAL INFORMATION

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	FY2015	FY2016	FY2017	4M2018
Average turnover days of trade receivables ⁽¹⁾	45	38	43	61

(1) Average turnover days of trade receivables for FY2015, FY2016, FY2017 and 4M2018 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365/120 days.

Our average turnover days of trade receivables were 45 days, 38 days, 43 days and 61 days in FY2015, FY2016, FY2017 and 4M2018, which is in line with our credit terms offered to our customers.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Deposits paid for plant and equipment	204	305	–	–
Current				
Deposits	118	816	1,074	1,074
Prepayments	4,611	7,610	7,215	8,020
Value-added tax recoverable	2,501	2,462	2,786	3,322
Other receivables	423	1,626	171	254
	7,653	12,514	11,246	12,670

Our prepayments mainly comprise prepayments for purchase of raw materials and listing expenses, while our deposits mainly represent deposit for purchase of plant and equipment, rental and utilities. Our current portion of prepayments, deposits and other receivables increased from HK\$7.7 million as at 31 March 2015 to HK\$12.5 million as at 31 March 2016 that was mainly due to (i) increase in prepayments of HK\$3.0 million mainly attributable to increase in prepayment for purchase of raw materials to secure certain raw materials to be purchased; and (ii) increase in other receivables of HK\$1.2 million mainly attributable to a non-interest bearing advance to an independent third party. The amount was fully recovered in FY2017. Thus, our prepayments, deposits and other receivables decreased to HK\$11.2 million as at 31 March 2017 mainly attributable to decrease in other receivables of HK\$1.5 million as a result of the settlement of such loan. Our prepayments, deposits and other receivables then increased to HK\$12.7 million as at 31 July 2017 mainly due to increase in prepayments of HK\$0.8 million as a result of combined effect of (i) increase in prepayment of construction for our Cambodia Factories; and (ii) decrease in prepayment related to Listing.

FINANCIAL INFORMATION

Amounts due from a director/related parties

Our amount due from a director amounted to nil, nil, HK\$10.6 million and HK\$14.0 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively; while our amounts due from related parties amounted to HK\$6.2 million, HK\$10.0 million, HK\$8.2 million and HK\$10.1 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively.

All our amounts due from a director and related parties were unsecured, interest-free and repayable on demand. All the amounts will be settled before Listing. For further details of related party transactions and balances, please refer to note 28 to the Accountant's Report in Appendix I to this prospectus.

Trade and bills payables

Our trade and bills payables are derived primarily from payables relating to payment to our suppliers for raw material and sub-contracting work. Trade and bills payables as at 31 March 2015, 2016, 2017 and 31 July 2017 were HK\$125.7 million, HK\$93.0 million, HK\$118.3 million and HK\$129.9 million, respectively.

Our trade and bills payables decreased from HK\$125.7 million as at 31 March 2015 to HK\$93.0 million as at 31 March 2016, mainly due to settlement of certain trade payables before year ended 31 March 2016. The balance then increased to HK\$118.3 million and HK\$129.9 million as at 31 March 2017 and 31 July 2017, respectively, due to increase in purchase to cater for expected increase in sales.

Our suppliers and sub-contractors generally offer us trade credit periods from 30 to 90 days based on invoice date. The table below sets forth, as at the end of reporting periods indicated, the aging analysis of our trade and bills payables based on invoice date:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	31,343	28,700	58,839	61,595
31 – 60 days	48,419	25,602	15,878	46,591
61 – 90 days	22,492	18,085	41,500	21,179
Over 90 days	23,465	20,570	2,068	548
	<u>125,719</u>	<u>92,957</u>	<u>118,285</u>	<u>129,913</u>

The increase in trade and bills payables that were between 61-90 days as at 31 March 2017 was mainly due to the increase in bills payables incurred in January 2017 which have credit period of three months.

FINANCIAL INFORMATION

The following table sets out the average trade and bills payables turnover days for the Track Record Period:

	FY2015	FY2016	FY2017	4M2018
Average turnover days of trade and bills payables ⁽¹⁾	81	81	72	80

(1) Average turnover days of trade and bills payables for each of FY2015, FY2016, FY2017 and 4M2018 is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant period by cost of sales and multiplying the resulting value by 365/120 days.

Average trade and bills payables turnover days were 81 days, 81 days, 72 days and 80 days, respectively, in FY2015, FY2016, FY2017 and 4M2018, which were in line with the credit terms offered by our suppliers.

As at 30 November 2017, HK\$127.5 million or 98.1% of trade and bills payables outstanding as at 31 July 2017 had been settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade and bills payables.

Accruals and other payables

Our accruals and other payables mainly represent accrued salaries for our staff, Listing expenses and others.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued salaries	3,683	5,108	9,747	11,284
Other accruals and payables	682	801	2,053	5,658
	<u>4,365</u>	<u>5,909</u>	<u>11,800</u>	<u>16,942</u>

Other accruals and payables increased from HK\$4.4 million as at 31 March 2015 to HK\$5.9 million as at 31 March 2016, which was mainly attributable to increase in accrued salaries as a result of increase in headcounts which is in line with our business needs. Other accruals and payables further increased to HK\$11.8 million as at 31 March 2017, which was mainly attributable to increase in accrued salaries of HK\$4.6 million as a result of increase in headcounts and increase other payables of HK\$1.3 million mainly for our listing expenses. Other accruals and payables then increased to HK\$16.9 million mainly due to increase in accrued salaries of HK\$1.5 million as a result of increase in headcounts and increase other accruals and payables of HK\$3.6 million mainly for customs charges in Cambodia as a result of more export sales in Cambodia.

FINANCIAL INFORMATION

Amounts due to directors/a related party

Our amounts due to directors amounted to HK\$13.9 million, HK\$29.3 million, HK\$49.0 million and HK\$46.9 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively; while our amount due to a related party amounted to HK\$4.6 million, HK\$3.6 million, HK\$1.5 million and HK\$2.7 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively.

All our amounts due to directors and a related party were unsecured, interest-free and repayable on demand. All the amounts will be settled before Listing by utilising (i) the net balance of amounts due to/from related parties to be received by our Group before Listing; (ii) available cash and cash equivalent; and (iii) internal resources generated from the Group's operating activities. For further details of related party transactions and balances, please refer to note 28 to the Accountant's Report in Appendix I to this prospectus.

Derivative financial instruments

During the Track Record Period, we have entered into forward foreign currency contracts to sell USD and to purchase RMB in order to hedge our currency risk exposure. As at 31 March 2015, 2016, 2017 and 31 July 2017, our forward foreign currency contracts amounted to HK\$16.4 million, HK\$19.9 million, nil and nil, respectively. During FY2015, FY2016 and FY2017, the realised gains/losses on the contracts amounted to gain of HK\$0.7 million, loss of HK\$5.9 million and loss of HK\$10.3 million, respectively, while the unrealised losses on forward foreign currency contracts amounted to loss of HK\$8.3 million and HK\$3.5 million in FY2015 and FY2016, respectively. No gains/losses arising from the derivative financial instruments was recorded in 4M2018 as all of the derivative financial instruments were novated in FY2017 as discussed below.

The fair value of derivative financial instruments purchased by us were determined by using valuation techniques and were recorded in accordance with applicable accounting framework. Any changes in the fair value of derivative financial instruments will not cause actual cash inflow or outflow for any unrealised gain or loss on derivative financial instruments until settlement of such contracts.

Pursuant to the novation agreement entered into among the bank, Wah Sun HK and a private company controlled by Mr. Ma Wing Yin, an associate of Mr. Ma Hing Man ("Company A") dated 14 July 2016, the bank agreed to novate the rights, liabilities, duties and obligations of Wah Sun HK under certain forward foreign currency contracts stipulated in the agreement to Company A with effect from and including 25 July 2016.

As our Group currently does not see the need and has no present intention to hold any significant amount of RMB or other foreign currencies, our Group's overall foreign exchange exposure is not significantly enough to justify the entering into of any derivative financial instruments of significant scale or the making of any hedging economically meaningful. Our Directors will from time to time closely monitor our Group's foreign exchange risk exposure, formulate appropriate foreign exchange policy, and consider hedging foreign currency exposure of our Group should the need arise.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on additions on buildings, plant, machinery and moulds, motor vehicles, furniture and fixtures and construction in progress for our factories. During the Track Record Period, our Group incurred capital expenditures of HK\$6.1 million, HK\$15.0 million, HK\$13.8 million and HK\$6.4 million, respectively, majority of which came from acquisition of plant, machinery and moulds and construction in progress for our factories primarily used our operations. Between 31 July 2017 and the Latest Practicable Date, we did not make any material capital expenditures.

For the year ending 31 March 2018, we estimate that the capital expenditures will amount to HK\$14.2 million, the estimated capital expenditure for the New Production Plant and the New Office (under the first phase expansion plan of our Cambodia Factory) are estimated to be HK\$11.2 million and HK\$3.0 million, respectively. Such amount of capital expenditure is expected to be funded by cash generated from our operations and/or bank borrowings.

In the event that the actual net proceeds from the Global Offering received is less than currently anticipated, we intend to fund the deficient amount by cash generated from our operations and/or bank borrowings, and/or adjust our expansion plan accordingly.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

FINANCIAL INFORMATION

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of offices and land under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017 <i>HK\$'000</i>
No later than 1 year	1,296	1,350	2,635	3,432
Later than 1 year and no later than 5 years	9,937	11,563	11,904	11,672
Over 5 years	8,928	2,976	–	–
	<u>20,161</u>	<u>15,889</u>	<u>14,539</u>	<u>15,104</u>
Total	<u>20,161</u>	<u>15,889</u>	<u>14,539</u>	<u>15,104</u>

Capital commitments

We had the following capital commitments, which were contracted for but not yet incurred in our combined financial statements:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017 <i>HK\$'000</i>
Property, plant and equipment	–	2,142	2,116	4,042
	<u>–</u>	<u>2,142</u>	<u>2,116</u>	<u>4,042</u>

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our total debts as at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017:

	As at 31 March			As at 31 July 2017	As at 30 November 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000
(Unaudited)					
Non-current					
Finance lease liabilities	–	112	96	54	11
Current					
Bank overdraft	–	–	–	2,477	–
Bank borrowings (including due for repayment after one year which contain a repayment on demand clause)	14,954	13,876	35,299	30,257	25,176
Finance lease liabilities	–	217	237	164	127
	<u>14,954</u>	<u>14,093</u>	<u>35,536</u>	<u>32,898</u>	<u>25,303</u>
Total	<u>14,954</u>	<u>14,205</u>	<u>35,632</u>	<u>32,952</u>	<u>25,314</u>

The following table sets forth the repayment, based on the scheduled repayment terms, set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 31 March			As at 31 July 2017	As at 30 November 2017
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000
(Unaudited)					
Bank overdraft on demand	–	–	–	2,477	–
Within 1 year	4,887	6,457	15,187	14,691	14,100
Between 1 and 2 years	2,648	2,732	13,402	13,162	10,392
Between 2 and 5 years	3,941	1,829	6,710	2,404	684
Over 5 years	3,478	2,858	–	–	–
	<u>14,954</u>	<u>13,876</u>	<u>35,299</u>	<u>32,734</u>	<u>25,176</u>

FINANCIAL INFORMATION

The following table sets out the range of interest rates for our borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 March			As at 31 July	As at 30 November
	2015	2016	2017	2017	2017
	%	%	%	%	%
Short term bank loans	<u>2.89</u>	<u>2.78</u>	<u>2.29</u>	<u>2.27</u>	<u>2.25</u>

As at 31 March 2015, 2016, 2017 and 31 July 2017, our Group's banking facilities are subject to annual review and secured and/or guaranteed by:

- (i) unlimited personal guarantee from Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee as at 31 March 2015, 2016, 2017 and 31 July 2017. All such guarantees are expected to be released before the Listing;
- (ii) certain properties owned by Mr. Ma Hing Ming, Ms. Wu Yu Ling, Ms. Ma Lan Chu, Mr. Ma Hing Man, Ms. Ma Lan Heung, Ms. Yung Ngan Sim and Ms. Chan Sim Kuen as at 31 March 2015, 2016, 2017 and 31 July 2017. All such securities are expected to be released before the Listing;
- (iii) investment property of our Group as at 31 March 2015; and
- (iv) pledged bank deposits of HK\$26.0 million, HK\$20.3 million and HK\$20.3 million were held at bank and pledged for a revolving loan provided by the bank as at 31 March 2016, 2017 and 31 July 2017, respectively.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the banking facilities contain various covenants which include the maintenance of certain financial ratios. Our Directors have reviewed the covenants compliance and represented that we were not aware of any breach during the Track Record Period.

As at 30 November 2017, being the latest practicable date for determining indebtedness, we had aggregate banking facilities of approximately HK\$145.9 million, of which approximately HK\$50.4 million was unutilised. We are not committed to draw down the unutilised amount.

During the Track Record Period, our Directors confirmed that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing.

FINANCIAL INFORMATION

Bank borrowings

At the close of business on 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding bank borrowings of HK\$25.2 million which were secured by the pledged bank deposits of HK\$20.3 million, and guaranteed by (i) unlimited personal guarantee from Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heng and Mr. Ma Yum Chee; and (ii) certain properties owned by Mr. Ma Hing Ming, Ms. Wu Yu Ling, Ms. Ma Lan Chu, Mr. Ma Hing Man, Ms. Ma Lan Heung, Ms. Yung Nga Sim and Ms. Chan Sim Kuen. All such unlimited personal guarantee and properties securities are expected to be released upon the Listing.

Finance lease liabilities

At the close of business on 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement, we had finance lease liabilities of HK\$0.1 million which were secured by the underlying assets.

Amounts due to directors and a related party

At the close of business on 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement, we had amounts due to directors of HK\$41.1 million and amount due to a related party of HK\$2.7 million. All our amounts due to directors and a related party were unsecured, interest-free and repayable on demand. All the amounts due to directors and a related party will be settled before Listing by utilising (i) the net balance of amounts due to/from related parties to be received by our Group before Listing; (ii) available cash and cash equivalent; and (iii) internal resources generated from the Group's operating activities.

Contingent liabilities

As at 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

FINANCIAL INFORMATION

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2015	FY2016	FY2017	4M2017	4M2018
Gross Profit Margin (%) ⁽¹⁾	12.2	16.1	20.6	17.9	21.9
Net Profit Margin (%) ⁽²⁾	1.3	8.2	8.1	2.6	6.9
Return on equity (%) ⁽³⁾	30.7	88.4	80.5	N/A	N/A
Return on total assets (%) ⁽⁴⁾	3.5	21.8	19.0	N/A	N/A
	As at 31 March			As at 31 July	
	2015	2016	2017	2017	2017
Current ratio ⁽⁵⁾	0.9	1.1	1.1	1.2	1.2
Gearing ratio (%) ⁽⁶⁾	63.4	26.1	52.2	38.7	38.7
Net debt to equity ratio (%) ⁽⁷⁾	Net cash	Net cash	Net cash	20.2	20.2

Notes:

- (1) Gross profit margin for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated on gross profit divided by revenue for the respective year/period. See the section headed "Review of Historical Results of Operation" for more details on our gross profit margins.
- (2) Net profit margin for FY2015, FY2016, FY2017, 4M2017 and 4M2018 was calculated on profit for the year/period divided by revenue for the respective year/period. See the section headed "Review of Historical Results of Operation" for more details on our net profit margins.
- (3) Return on equity for FY2015, FY2016 and FY2017 was calculated based on the profit for the year for the respective periods divided by the total equity attributable to the Shareholders as at the respective years and multiplied by 100%.
- (4) Return on total assets for FY2015, FY2016 and FY2017 was calculated based on the net profit for the respective years divided by the total assets of the respective years and multiplied by 100%.
- (5) Current ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (6) Gearing ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 were calculated based on the total debt as at the respective dates divided by total equity as at the respective years and multiplied by 100%.
- (7) Net debt to equity ratios as at 31 March 2015, 2016 and 2017 and 31 July 2017 was calculated based on net debts (being total borrowings net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective years.

FINANCIAL INFORMATION

Return on equity

Our return on equity was 30.7%, 88.4% and 80.5% in FY2015, FY2016 and FY2017, respectively. The increase from FY2015 to FY2016 was mainly due to increase in our profit for the year. The return on equity then decreased to 80.5% in FY2017 which was mainly due to increase in total equity as a result of increase in accumulation of our profit despite increase in our profit for the year.

Return on total assets

Our return on total assets was 3.5%, 21.8% and 19.0% in FY2015, FY2016 and FY2017, respectively. The increase from FY2015 to FY2016 was mainly due to increase in our profit for the year. The return on assets then decreased to 19.0% in FY2017 which was mainly due to increase in current assets such as trade receivables and cash and cash equivalents.

Current ratio

Our current ratio was 0.9, 1.1 and 1.1 as at 31 March 2015, 2016 and 2017, respectively, which was mainly due to increase in current assets such as trade receivables and cash and cash equivalents from our operations. The current ratio remained relatively stable at 1.2 as at 31 July 2017.

Gearing ratio

Our gearing ratio was 63.4%, 26.1%, 52.2% and 38.7% as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. The decrease in our gearing ratio from 2015 to 2016 was mainly due to decrease in borrowings as at 31 March 2016. The gearing ratio then increased to 52.2% as at 31 March 2017 mainly due to increase in interest bearing bank borrowings for our operation. Our gearing ratio then decreased to 38.7% as at 31 July 2017 mainly due to increase in our total equity due to the accumulation of profit and that no dividend was paid during 4M2018.

Net debt to equity ratio

We were in net cash position as at each of the years ended 31 March 2015, 2016 and 2017. Our net debt to equity ratio was 20.2% as at 31 July 2017 mainly as a result of decrease in cash and cash equivalents.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

Details of the risk to which we are exposed are set out in note 3 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

Total expenses in relation to the Listing amounted to HK\$40.0 million. During the Track Record Period, we incurred Listing expenses of HK\$4.1 million and HK\$13.3 million in FY2017 and 4M2018, respectively, and we expect to incur additional listing expenses of HK\$22.6 million. In FY2017 and 4M2018, HK\$4.1 million and HK\$13.3 million, respectively, was recognised as administration expenses in our combined income statements, and approximately HK\$8.6 million is expected to be recognised as administrative expenses in FY2018. HK\$14.0 million is expected to be recognised as a deduction in equity.

DIVIDEND AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to its then shareholders was HK\$10.0 million, HK\$20.0 million, HK\$40.0 million and nil for FY2015, FY2016, FY2017 and 4M2018, respectively. The dividends declared for FY2015, FY2016 and FY2017 have been settled. On 2 January 2018, our Company declared an one-off and non-recurring dividend of HK\$20.0 million. It is expected that the one-off and non-recurring dividend will be paid prior to the Listing Date by utilising (i) the net balance of amounts due to/from related parties to be received by our Group before Listing; (ii) available cash and cash equivalent; and (iii) internal resources generated from the Group's operating activities. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders.

Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Subject to Companies Law and other applicable laws and regulations, we currently target to distribute to our Shareholders no less than 35% of our distributable profits for any particular financial year. We cannot assure you that we will be able to distribute dividend of the above amount or any amount or at all, in any particular financial year. The declaration and payment of dividend may also be limited by legal restrictions, loans or other agreements that we have entered into or may enter into in future. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

FINANCIAL INFORMATION

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 May 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section “Unaudited Pro Forma Financial Information” in Appendix II for our unaudited pro forma adjusted combined net tangible assets.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS STRATEGIES

Please refer to the section headed “Business – Our Business Strategies” in this prospectus for detailed description of our business strategies.

REASONS FOR OUR LISTING

Our Directors believe that the Listing will assist us in implementing our business strategies as set out in the “Business – Our Business Strategies” section. The net proceeds from the Global Offering will provide financial resources to our Group to achieve its business strategies including our expansion plan in Cambodia. Our Directors consider that equity financing instead of debt financing is the preferred means to fund our expansion plan in Cambodia as equity financing does not increase our finance costs or worsen our gearing ratio. Our Directors also believe a listing status will enable our Group to access capital market for equity fund raising both at the Listing and in future, which will in turn improve our capital structure.

A public listing status is also expected to enhance our corporate profile and market position. Our Directors consider that customers and banks may prefer to transact with a listed company because of the enhanced credibility, better business reputation and corporate governance associated with public financial disclosures and general regulatory supervision by relevant regulatory bodies, which are otherwise not applicable to private companies. Our Directors are also of the view that the Listing will help our Group to attract and retain employees by providing incentives or rewards for their continuous contribution to our Group through granting share options under the Share Option Scheme.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.19 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$79.0 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner over a period of two to three years after Listing:

- (i) approximately 45%, or HK\$35.6 million, will be used for expansion of our production facilities in Cambodia
 - approximately 25%, or HK\$19.8 million will be used for leasing land and construction of the buildings under phase two and phase three of the expansion plan of our production facilities in Cambodia, including Phase 2 Production Plant and Phase 3 Production Plant and various ancillary facilities such as warehouse, dormitory and staff canteen as appropriate;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5%, or HK\$4.0 million will be used for the fitting out works of the second and the third phases of the expansion plan in Cambodia; and
- approximately 15%, or HK\$11.9 million will be used for purchasing production equipment for Phase 2 Production Plant and Phase 3 Production Plant in Cambodia.

For further details, see “Business – Our Business Strategies – Enhancing our manufacturing capability by expanding our manufacturing facilities in Cambodia” section;

- (ii) approximately 15%, or HK\$11.9 million, will be used for establishing a product development team in Cambodia to cater for the expansion in production facilities in Cambodia, including hiring of technical staff and/or procuring necessary equipment for the new Cambodia product development team. For further details, see “Business – Our Business Strategies – Enhance and expand our pre-production product development services” section;
- (iii) approximately 10%, or HK\$7.9 million, will be used for upgrading existing software and hardware of the Dongguan Factory and Cambodia Factory, such as purchasing ERP software and RFID system and expanding our IT teams to maintain and manage our IT system;
- (iv) approximately 10%, or HK\$7.9 million, will be used for refurbishment of the existing showroom, workshop and ancillary office in Hong Kong, our Dongguan Factory and Cambodia Factory. For further details, see “Business – Our Business Strategies – Upgrading and up-keeping of our production facilities” in this prospectus;
- (v) approximately 10%, or HK\$7.9 million will be used for installing showrooms in our production bases in Dongguan and Cambodia.

For further details of paragraphs (iii) to (v) above, see “Business – Our Business Strategies – Upgrading and upkeeping of our production facilities”; and

- (vi) approximately 10%, or HK\$7.9 million, will be used for general working capital.

If the final Offer Price (assuming the Over-allotment Option is not exercised) is set at (i) the lowest; or (ii) the highest of the indicative Offer Price, the net proceeds from the Global Offering are estimated to be (i) approximately HK\$61.0 million or (ii) approximately HK\$97.0 million respectively. The net proceeds are intended to be used in the same proportions as disclosed above.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to (i) approximately HK\$75.2 million (assuming that the final Offer Price is set at the lowest of the indicative Offer Price), (ii) approximately HK\$96.0 million (assuming that the final Offer Price is set at the mid-point of the indicative Offer Price), and (iii) approximately HK\$116.7 million (assuming that the final Offer Price is set at the highest of the indicative Offer Price) respectively, Our Group intends to apply the additional net proceeds from the exercise of the Over-allotment Option in the same proportions as disclosed above.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

UNDERWRITING

HONG KONG UNDERWRITERS

DBS Asia Capital Limited
Aristo Securities Limited

INTERNATIONAL UNDERWRITERS

DBS Asia Capital Limited
Aristo Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 10,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator (for itself and on behalf of other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator that:
 - (i) any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or
 - (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or
 - (vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (x) a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company 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 Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in the “Directors and Senior Management” section of this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator (for itself, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole absolute opinion to be material; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets, credit markets and any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the NASDAQ National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange)); or
 - (iii) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or
 - (iv) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

UNDERWRITING

- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vi) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or RMB against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (ix) any of the Directors and senior management member of our Company as set out in the “Directors and Senior Management” section of this prospectus being charged with an indictable offence or prohibited by operation of Law 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 or her office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of any of the Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

UNDERWRITING

- (xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in a material interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, 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 Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, (i) Wah Sun Holdings, or (ii) the members of Ma Family collectively, will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a group of controlling shareholders acting in concert pursuant to Acting in Concert Deed.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities in our Company beneficially owned by it in favor of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of 18 months immediately following the expiry of the First Six-Month Period (the “**Second 18-Month Period**”).

In the event that, during the Second 18-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent

UNDERWRITING

- the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the Second 18-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;
 - (iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second 18-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
 - (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

UNDERWRITING

Each of the Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the

UNDERWRITING

International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please see “Structure of the Global Offering – The International Placing” section in this prospectus for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the Underwriters) an underwriting commission of 3.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our discretion, pay to DBS Asia Capital Limited an incentive fee of up to 1.5% of the aggregate Offer Price of the Offer Shares offered under the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$1.19 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.0 and HK\$1.38 per Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$40.0 million in total and are payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

UNDERWRITING

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules is made within seven days of the expiration of the stabilising period.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offer of initially 10,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offer”; and
- (ii) the International Placing of initially 90,000,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 100,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 10,000,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in “Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, 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 Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong 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 Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or in both pools under the Hong Kong Public Offer and any application for more than 5,000,000 Hong Kong Offer Shares will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 30,000,000 Offer Shares (in the case of (i)), 40,000,000 Offer Shares (in the case of (ii)) and 50,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator shall have the discretion to reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Hong Kong Public Offer is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK\$1.38 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$2,787.81 for one board lot of 2,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$1.38 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 90,000,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offer – Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the last date for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 15,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to, among other things (such as effecting the permitted stabilising actions as set out in the section headed “Stabilisation” below), cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

STRUCTURE OF THE GLOBAL OFFERING

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Wah Sun Holdings, out of the Controlling Shareholders of our Company, to borrow, whether on its own or through its affiliates, up to 15,000,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Wah Sun Holdings by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Wah Sun Holdings or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Wah Sun Holdings by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 16 January 2018, and in any event, not later than 18 January 2018.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$1.38 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK\$1.38 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$1.38, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional, institutional investors and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of the reduction. Such notice will also be posted on our website at www.wahsun.com.hk and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants 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.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at their/its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 10. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Sole Global Coordinator (for itself and on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, 9 February 2018, being the 30th day after the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Thursday, 18 January 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and our website at www.wahsun.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – 12. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 22 January 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 22 January 2018.

The Shares will be traded in board lots of 2,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong 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.

Our Company, the Sole Global Coordinator 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 Hong Kong 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, the Sole Global Coordinator 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong 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.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 am on Wednesday, 10 January 2018 to 12:00 noon on Monday, 15 January 2018 from:

- (i) any of the following offices of the Hong Kong Underwriters:

DBS Asia Capital Limited
17/F, The Center
99 Queen's Road Central,
Central, Hong Kong

Aristo Securities Limited
Room 101, 1/F
On Hong Commercial Building
145 Hennessy Road
Wan Chai, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) any of the following branches of the receiving bank: DBS Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
	Happy Valley Branch	G/F, 18A-22 King Kwong Street, Happy Valley
Kowloon	Mei Foo Branch	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street
	Kowloon Bay – SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
New Territories	Ma On Shan Branch	Shop 205-206, Level 2, Ma On Shan Plaza, Ma On Shan
	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 am on Wednesday, 10 January 2018 until 12:00 noon on Monday, 15 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER 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 "Ting Hong Nominees Limited – Wah Sun Handbags Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 am to 5:00 pm, Wednesday, 10 January 2018
- 9:00 am to 5:00 pm, Thursday, 11 January 2018
- 9:00 am to 5:00 pm, Friday, 12 January 2018
- 9:00 am to 1:00 pm, Saturday, 13 January 2018
- 9:00 am to 12:00 noon, Monday, 15 January 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 15 January 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By 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 Sole Global Coordinator (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 Hong Kong 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 Hong Kong Companies Ordinance and the 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 HONG KONG OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, 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;
- (ix) 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 Sole Global Coordinator 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;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong 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;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) 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 Hong Kong 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 the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvi) 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;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (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; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) 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; and (ii) 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.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation 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).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 HONG KONG OFFER 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 Center
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 Hong Kong 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 Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (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;
- (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 Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong 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 Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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 Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Hong Kong 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, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies 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 Hong Kong 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 the giving **electronic application instructions** to apply for Hong Kong 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 Hong Kong Companies 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 Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, 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, 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.

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 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong 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 Hong Kong 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:

- 9:00 am to 8:30 pm⁽¹⁾, Wednesday, 10 January 2018
- 8:00 am to 8:30 pm⁽¹⁾, Thursday, 11 January 2018
- 8:00 am to 8:30 pm⁽¹⁾, Friday, 12 January 2018
- 8:00 am⁽¹⁾ to 12:00 noon, Monday, 15 January 2018

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 am on Wednesday, 10 January 2018 until 12:00 noon on Monday, 15 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 15 January 2018, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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, the 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 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, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, 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 Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are 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 Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong 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 Monday, 15 January 2018.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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.

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 HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage 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, please refer to the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

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 am and 12:00 noon on Monday, 15 January 2018. 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 am and 12:00 noon.

If the application lists do not open and close on Monday, 15 January 2018 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 the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Friday, 19 January 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at **www.wahsun.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.wahsun.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, 19 January 2018;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at the **www.whiteform.com.hk/results** with a “search by ID” function on a 24-hour basis from 9:00 am on Friday, 19 January 2018 to 12:00 midnight on Thursday, 25 January 2018;
- by telephone enquiry line by calling +852 2153 1688 between 9:00 am and 6:00 pm from Friday, 19 January 2018 to Thursday, 25 January 2018 (excluding Saturday, Sunday and Public holiday in Hong Kong); and
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 19 January 2018 to Tuesday, 23 January 2018 at all the receiving bank branches and sub-branches.

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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

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 Hong Kong 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 Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator 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 Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the 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 Committee 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;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- 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 Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

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\$1.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, 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 Friday, 19 January 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong 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).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** 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 Hong Kong Offer 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 Hong Kong 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, 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 before Friday, 19 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus 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.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 am to 1:00 pm on Friday, 19 January 2018 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 the Hong Kong 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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 19 January 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 19 January 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Friday, 19 January 2018, 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 Hong Kong Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "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 Friday, 19 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 Friday, 19 January 2018, 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 Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Public Offer in the manner specified in “Publication of Results” above on Friday, 19 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 19 January 2018 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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 Friday, 19 January 2018. Immediately following the credit of the Hong Kong 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 Hong Kong 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, 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 Friday, 19 January 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of Wah Sun Handbags International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the combined statements of financial position as at 31 March 2015, 2016 and 2017 and 31 July 2017, the Company statement of financial position as at 31 July 2017, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (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-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 10 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Director's 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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's 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 accountant's 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 accountant considers 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 presentation and preparation set out in Notes 1.3 and 2.1 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, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 July 2017 and the combined financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined income statement, comprehensive income, changes in equity and cash flows for the four months ended 31 July 2016 and other explanatory information ("the Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in

accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by Wah Sun Handbags International Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

10 January 2018

I. 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 accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined Income Statements

	Notes	Year ended 31 March			Four months ended 31 July	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Revenue	6	546,043	585,940	677,214	193,911	237,905
Cost of sales	7	(479,314)	(491,875)	(537,597)	(159,224)	(185,825)
Gross profit		66,729	94,065	139,617	34,687	52,080
Other income, net	6	592	51	35	18	30
Other (losses)/gains, net	6	(6,609)	10,695	(6,100)	(9,936)	1,560
Selling and distribution expenses	7	(23,777)	(26,164)	(28,792)	(7,993)	(7,748)
Administrative expenses	7	(23,993)	(26,302)	(40,236)	(10,121)	(25,302)
Operating profit		12,942	52,345	64,524	6,655	20,620
Finance income	9	5	634	476	248	39
Finance costs	9	(1,315)	(1,234)	(1,686)	(464)	(655)
Finance costs, net		(1,310)	(600)	(1,210)	(216)	(616)
Profit before income tax		11,632	51,745	63,314	6,439	20,004
Income tax expenses	10	(4,388)	(3,612)	(8,383)	(1,343)	(3,485)
Profit for the year/period attributable to owners of the Company		<u>7,244</u>	<u>48,133</u>	<u>54,931</u>	<u>5,096</u>	<u>16,519</u>
Basic and diluted earnings per share	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined Statements of Comprehensive Income

	Year ended 31 March			Four months ended 31 July	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
Profit for the year/period	7,244	48,133	54,931	5,096	16,519
Other comprehensive income/(loss):					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences	102	(261)	(1,163)	(608)	501
Total comprehensive income for the year/period attributable to owners of the Company	<u>7,346</u>	<u>47,872</u>	<u>53,768</u>	<u>4,488</u>	<u>17,020</u>

Combined Statements of Financial Position

	Notes	As at 31 March			As at
		2015	2016	2017	31 July
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
ASSETS					
Non-current assets					
Land use rights	13	482	438	394	380
Property, plant and equipment	14	29,296	37,494	42,140	45,728
Investment property	15	8,633	–	–	–
Deposits paid for plant and equipment	18	204	305	–	–
		<u>38,615</u>	<u>38,237</u>	<u>42,534</u>	<u>46,108</u>
Current assets					
Inventories	17	48,478	33,746	46,216	58,047
Trade receivables	18	60,912	61,276	98,108	144,426
Prepayments, deposits and other receivables	18	7,653	12,514	11,246	12,670
Amount due from a director	28	–	–	10,643	13,952
Amounts due from related parties	28	6,200	9,978	8,180	10,064
Current income tax recoverable		–	757	379	139
Pledged bank deposits	19	–	25,968	20,251	20,285
Cash and cash equivalents	19	43,139	37,848	51,365	15,771
		<u>166,382</u>	<u>182,087</u>	<u>246,388</u>	<u>275,354</u>
Total assets		<u>204,997</u>	<u>220,324</u>	<u>288,922</u>	<u>321,462</u>
EQUITY					
Equity attributable to the owners of the Company					
Combined capital	21(a)	18,656	21,656	21,656	21,656
Exchange reserve		3,688	3,427	2,264	2,765
Retained earnings		1,236	29,369	44,300	60,819
Total equity		<u>23,580</u>	<u>54,452</u>	<u>68,220</u>	<u>85,240</u>
Non-current liabilities					
Borrowings	23	–	112	96	54
Deferred income tax liabilities	24	73	26	49	83
		<u>73</u>	<u>138</u>	<u>145</u>	<u>137</u>
Current liabilities					
Trade and bills payables	22	125,719	92,957	118,285	129,913
Accruals and other payables	22	4,365	5,909	11,800	16,942
Amounts due to directors	28	13,915	29,283	49,022	46,865
Amount due to a related party	28	4,609	3,601	1,527	2,712
Current income tax liabilities		1,381	–	4,387	6,755
Borrowings	23	14,954	14,093	35,536	32,898
Derivative financial instruments	20	16,401	19,891	–	–
		<u>181,344</u>	<u>165,734</u>	<u>220,557</u>	<u>236,085</u>
Total liabilities		<u>181,417</u>	<u>165,872</u>	<u>220,702</u>	<u>236,222</u>
Total equity and liabilities		<u>204,997</u>	<u>220,324</u>	<u>288,922</u>	<u>321,462</u>

Statement of Financial Position of the Company

	<i>Notes</i>	As at 31 July 2017 <i>HK\$'000</i>
ASSETS		
Current assets		
Amount due from a related party	28	— _____
		— ----- _____
Total assets		— =====
EQUITY		
Equity attributable to the owners of the Company		
Share capital	21(b)	— _____
Total equity		— ----- _____
Total equity and liabilities		— =====

Combined Statements of Changes in Equity

	Combined capital HK\$'000 (Note 21)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2014	18,656	3,586	3,992	26,234
Comprehensive income				
Profit for the year	–	–	7,244	7,244
Other comprehensive income				
Currency translation difference	–	102	–	102
Total comprehensive income	–	102	7,244	7,346
Transactions with owners				
Dividends paid (Note 11)	–	–	(10,000)	(10,000)
As at 31 March 2015	<u>18,656</u>	<u>3,688</u>	<u>1,236</u>	<u>23,580</u>
As at 1 April 2015	18,656	3,688	1,236	23,580
Comprehensive income				
Profit for the year	–	–	48,133	48,133
Other comprehensive loss				
Currency translation difference	–	(261)	–	(261)
Total comprehensive (loss)/income	–	(261)	48,133	47,872
Transactions with owners				
Capital contribution	3,000	–	–	3,000
Dividends paid (Note 11)	–	–	(20,000)	(20,000)
As at 31 March 2016	<u>21,656</u>	<u>3,427</u>	<u>29,369</u>	<u>54,452</u>
As at 1 April 2016	21,656	3,427	29,369	54,452
Comprehensive income				
Profit for the year	–	–	54,931	54,931
Other comprehensive loss				
Currency translation difference	–	(1,163)	–	(1,163)
Total comprehensive (loss)/income	–	(1,163)	54,931	53,768
Transactions with owners				
Dividends paid (Note 11)	–	–	(40,000)	(40,000)
As at 31 March 2017	<u>21,656</u>	<u>2,264</u>	<u>44,300</u>	<u>68,220</u>

	Combined capital HK\$'000 (Note 21)	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2017	21,656	2,264	44,300	68,220
Comprehensive income				
Profit for the year	–	–	16,519	16,519
Other comprehensive income				
Currency translation difference	–	501	–	501
Total comprehensive income	–	501	16,519	17,020
As at 31 July 2017	<u>21,656</u>	<u>2,765</u>	<u>60,819</u>	<u>85,240</u>
As at 1 April 2016	21,656	3,427	29,369	54,452
Comprehensive income				
Profit for the year (unaudited)	–	–	5,096	5,096
Other comprehensive loss				
Currency translation difference (unaudited)	–	(608)	–	(608)
Total comprehensive (loss)/income	–	(608)	5,096	4,488
As at 31 July 2016 (unaudited)	<u>21,656</u>	<u>2,819</u>	<u>34,465</u>	<u>58,940</u>

Combined Statements of Cash Flows

	Notes	Year ended 31 March			Four months ended 31 July	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Cash flows from operating activities						
Net cash generated from/(used in) operations	26	44,875	24,187	57,944	8,200	(18,901)
Income tax paid		(3,536)	(5,804)	(3,615)	(255)	(839)
Net cash generated from/ (used in) operating activities		<u>41,339</u>	<u>18,383</u>	<u>54,329</u>	<u>7,945</u>	<u>(19,740)</u>
Cash flows from investing activities						
Purchases of property, plant and equipment		(5,949)	(14,422)	(13,244)	(4,162)	(6,391)
Proceeds from disposal of property, plant and equipment	26	118	320	10	–	–
Proceeds from disposal of an investment property		–	25,343	–	–	–
(Increase)/decrease in pledged bank deposits		–	(25,968)	5,717	5,876	(34)
Advances to directors		(5,021)	(15,610)	(64,322)	(39,859)	(5,466)
Advances to related parties		(1,591)	(4,786)	(1,776)	(75)	(579)
Interest received		5	634	476	248	39
Net cash used in investing activities		<u>(12,438)</u>	<u>(34,489)</u>	<u>(73,139)</u>	<u>(37,972)</u>	<u>(12,431)</u>
Cash flows from financing activities						
Capital contribution	27	–	3,000	–	–	–
Proceeds from borrowings		2,780	4,150	39,109	15,000	–
Repayment of borrowings		(7,135)	(5,228)	(17,686)	(7,910)	(5,042)
Repayment of finance lease obligations		(52)	(53)	(247)	(71)	(115)
Advances from directors		9,260	30,157	12,718	7,709	–
Interest paid		(1,315)	(1,234)	(1,686)	(464)	(655)
Dividends paid		(10,000)	(20,000)	–	–	–
Net cash (used in)/generated from financing activities		<u>(6,462)</u>	<u>10,792</u>	<u>32,208</u>	<u>14,264</u>	<u>(5,812)</u>
Net increase/(decrease) in cash and cash equivalents		22,439	(5,314)	13,398	(15,763)	(37,983)
Cash and cash equivalents at beginning of the years/period		20,694	43,139	37,848	37,848	51,365
Exchange gains/(loss) on cash and cash equivalents		6	23	119	42	(88)
Cash and cash equivalents at end of the years/period	19	<u>43,139</u>	<u>37,848</u>	<u>51,365</u>	<u>22,127</u>	<u>13,294</u>

The principal non-cash transaction include settlement of dividends and transfer of certain derivative financial instruments to a related company as disclosed in Note 11 and Note 28(b) respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

Wah Sun Handbags International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 May 2017 as an exempted limited liability company under Companies Law (Cap.22 Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Workshop 9, 6/F, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") principally manufacture and trade hand-bag products (the "Listing Business"). The ultimate controlling parties of the Group are all family members within Ma Family namely Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee who have entered into acting in concert agreement.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation (the "Reorganisation"), as described below, the Listing Business was carried out by companies now comprising the Group (the "Operating Subsidiaries"), which were collectively controlled by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee (the "Controlling Shareholders").

The Group underwent the Reorganisation, pursuant to which the companies engaged in the Listing Business were transferred to the Company. The Reorganisation involved the followings:

- (a) On 25 May 2017, Wah Sun Global Development Limited ("Wah Sun BVI") was incorporated in the British Virgin Islands (the "BVI") with its ordinary share allotted and issued to the Wah Sun International Holdings Limited ("Wah Sun Holdings").
- (b) On 29 May 2017, the Company was incorporated in the Cayman Islands with its Shares to Wah Sun Holdings and is ultimately controlled by the Controlling Shareholders.
- (c) On 9 June 2017, Wah Sun BVI acquired the entire issued share capital of Union Gold Holdings Limited ("Union Gold") from Ms. Wu Yu Ling (the spouse of and as instructed by Mr. Ma Hing Ming), Ms. Ma Lan Chu, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Ms. Dong Yan (holding a trust for the Controlling Shareholders) at a consideration of US\$5. The consideration was satisfied by the allotment and issue of five new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (d) On 16 June 2017, Union Gold acquired the entire issued share capital of Dongguan Quickmind Handbag Factory Co., Ltd ("Dongguan Quickmind") at a consideration of HK\$13,860,000 from Mr. Ma Hiu Fai and Mr. Ma Wing Yin (holding a trust for Wah Sun HK), its then shareholders. The consideration was satisfied by the allotment and issue of 10 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (e) On 5 July 2017, Mr. Ma Yum Chee and Ms. Ma Lan Heung acquired 2 ordinary shares of Wah Sun Hand-Bag Factory Company Limited ("Wah Sun HK") from each of Mr. Ma Hiu Fai and Mr. Ma Wing Yin at nil consideration.
- (f) On 11 July 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK from Mr. Ma Hing Man, Ms. Ma Lan Chu, Mr. Ma Hing Ming, Mr. Ma Yum Chee and Ms. Ma Lan Heung at a consideration of US\$20. The consideration was satisfied by the allotment and issue of 20 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (g) On 8 September 2017, Wah Sun BVI acquired the entire issued share capital of Wah Sun HK Factory (Cambodia) Co., Ltd ("Wah Sun Cambodia") from Mr. Ma Hing Ming, Ms. Ma Lan Chu and Ms. Dong Yan (holding a trust for Wah Sun HK) at a consideration of US\$15. The consideration was satisfied by the allotment and issue of 15 new shares in Wah Sun BVI credited as fully paid to Wah Sun Holdings.
- (h) On 11 December 2017, the Company acquired the entire issued share capital of Wah Sun BVI at a consideration of US\$51 from Wah Sun Holdings. The consideration was satisfied by the allotment and issue of 9,999 new shares in the Company credited as fully paid to Wah Sun Holdings.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation and kind of legal entity	Date of incorporation	Issued and paid-up capital	Attributable equity interest of the Group				As at the Principal date of activities and this place of report operation	Notes	
				31 March 2015	31 March 2016	31 July 2017	31 July 2017			
Direct Interests:										
Wah Sun Global Development Limited	BVI, limited liability company	25 May 2017	United States Dollar ("US\$") US\$1	N/A	N/A	N/A	100%	100%	Investment holding in BVI	(i)
Indirect Interests:										
Wah Sun Hand-Bag Factory Company Limited	Hong Kong, limited liability company	28 February 1989	HK\$10,000	100%	100%	100%	100%	100%	Trading of handbag products in Hong Kong	(ii)
Union Gold Holdings Limited	Hong Kong, limited liability company	1 April 2012	HK\$100	100%	100%	100%	100%	100%	Trading of handbag products in Hong Kong	(iii)
Dongguan Quickmind Handbag Factory Co., Ltd*	People's Republic of China (the "PRC"), limited liability company	15 March 1994	HK\$13,860,000	100%	100%	100%	100%	100%	Manufacturing of hand-bag products in the PRC	(iv)
Wah Sun HK Factory (Cambodia) Co., Ltd	Kingdom of Cambodia, ("Cambodia") limited liability company	31 January 2013	US\$1,000,000	100%	100%	100%	100%	100%	Manufacturing of hand-bag products in Cambodia	(i)

* For identification purpose only

Except for Wah Sun Hand-Bag Factory Company Limited which adopted 31 March as its financial year end date, all companies now comprising the Group have adopted 31 December as their financial year end date.

Notes:

- (i) No audited financial statements have been issued for the subsidiaries as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (ii) The statutory financial statements of the company for the years ended 31 March 2015 and 2016 were audited by Chris M.S. Chan & Company and GDT CPA Limited, Certified Public Accountants (Practising) in Hong Kong, respectively.
- (iii) The statutory financial statements of the company for the years ended 31 December 2014 and 2015 were audited by Chris M.S. Chan & Company and GDT CPA Limited, Certified Public Accountants (Practising) in Hong Kong, respectively. The statutory financial statements of the company for the year ended 31 December 2016 was audited by PricewaterhouseCoopers.
- (iv) The statutory financial statements of the company for the years ended 31 December 2014, 2015 and 2016 were audited by 東莞市偉信會計師事務所, Certified Public Accountant in the PRC.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is mainly conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company and newly incorporated subsidiaries have not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in Controlling Shareholders and management. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through the Operating Subsidiaries and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the Operating Subsidiaries, with the results, assets and liabilities recognised and measured at the carrying amounts of the Listing Business under the combined financial statements for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year/period beginning 1 April 2017 are consistently applied to the Group for the Track Record Period.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year/period beginning 1 April 2017.

		Effective for accounting periods beginning on or after	<i>Note</i>
HKAS 40 (Amendment)	Transfer of investment property	1 January 2018	
HKFRS 2 (Amendment)	Classification and measurement of share based payment transactions	1 January 2018	
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	<i>Note (i)</i>
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKFRS 15	Revenue from contracts with customers	1 January 2018	<i>Note (ii)</i>
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018	
HKFRS 16	Leases	1 January 2019	<i>Note (iii)</i>

		Effective for accounting periods beginning on or after	<i>Note</i>
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration	1 January 2018	
HK (IFRIC) – Int 23	Uncertainty over income tax treatments	1 January 2019	
Annual improvements project	2014 – 2016 projects	1 January 2018	

Note (i):

HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in FVOCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Based on an analysis of the Group’s financial instruments as at 31 July 2017, the directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group’s financial assets and financial liabilities.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The historical credit losses are immaterial.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers and related parties are low. Hence, the directors of the Company do not expect that the application of HKFRS 9 would result in a significant impact on the Group’s impairment provisions.

In the opinion of the directors of the Company, the application of HKFRS 9 would not have a material impact on the Group’s financial position and results of operations. The Group does not intend to adopt HKFRS 9 before its mandatory date.

Note (ii):

HKFRS 15 “Revenue from contracts with customers” – This new standard establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18 “Revenue”, which covers revenue arising from sale of goods and rendering of services, and HKAS 11 “Construction contracts”, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its combined financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

Timing of revenue recognition

The Group’s revenue recognition policy is disclosed in Note 2.22. Currently, revenue arising from the sales of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services are regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- (b) When the entity’s performance creates or enhances an assets (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sales of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Management has performed a preliminary assessment and expects that the application of HKFRS 15 would not result in any significant impact on the Group’s financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

Note (iii):

HKFRS 16 “Leases” – The Group is a lessee of its office buildings which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.23.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the combined statements of financial position. Instead, all long-term leases must be recognised in the combined statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the combined statements of financial position. In the combined income statement, rental expenses will be replaced with depreciation and interest expense. Interest expense on the lease liability will be presented separately from depreciation under finance costs. As a result, the rental expenses under otherwise identical circumstances will decrease, while depreciation and the interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

As at 31 July 2017, the Group has aggregate minimum lease payments, which are not reflected in the combined statements of financial position, under non-cancellable operating lease of approximately HK\$15.1 million as set out in Note 25. Out of this balance, HK\$11.7 million relates to operating leases with original lease terms of over 1 year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations as described above upon the initial application of HKFRS 16.

Apart from the effects as outlined above, the directors of the Company do not expect that the application of HKFRS 16 would have a material impact on the Group’s financial position and results of operations. The new standard is not expected to be applied by the Group until the financial year ending 31 March 2020.

Other than those analysed above, the directors of the Company does not anticipate any significant impact on the Group’s financial positions and results of operations upon adopting the above other amendments to existing standards.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost included direct attributable costs of investment. The result of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors of the Group that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statements within "other (losses)/gains, net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each combined statement of financial position presented are translated at the closing rate at the date of that combined statement of financial position;
- (ii) income and expenses for each combined income statements are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined income statements during the financial period in which they are incurred.

Land use rights commence amortisation from the time when the land interest becomes available for its intended use. Amortisation on land use rights and depreciation of property, plant and equipment are calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Land use rights	Over the remaining lease term of 28 years
Buildings	20 to 28 years
Furniture and fixtures	2 to 5 years
Motor vehicles	5 years
Plant, machinery and moulds	2 to 5 years

Construction in progress represents buildings, plant and machinery under construction and pending installation is stated at cost. Cost includes the costs of construction of building, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction in progress until the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the combined income statements.

2.6 Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

The Group's investment property comprise buildings located in Hong Kong, which is measured initially at their costs, including the related transaction costs and where applicable, borrowing costs.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment property is depreciated over their estimated useful lives of 22 years.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the combined income statements during the financial period in which they are incurred.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the combined income statements in the period of the retirement or disposal.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) *Classification*

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "deposits and other receivables", "trade receivables", "amount due from a director", "amounts due from related parties", "pledged bank deposits" and "cash and cash equivalents" in the combined statements of financial position.

(b) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using effective interest method.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Changes in the fair value of the derivative instruments are recognised immediately in the combined income statements within "other (losses)/gains, net".

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.8(b) for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the combined statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Pledged bank deposits

Pledged bank deposits represented fixed deposits pledged to the bank for issuance of bank facilities and bank borrowings.

2.15 Combined capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade, bills and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs include interest expense and finance charges in respect of financial lease.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting dates.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) *Pension obligations*

The Group participates in defined contribution plans in the countries where they operate. A defined contribution plan is a pension plan under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Provision for bonus plans*

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of returns and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Sale of goods is recognised when products have been delivered to its customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(c) *Rental income*

Rental income from investment property is recognised in the combined income statements on a straight line basis over the term of lease.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statements on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the combined financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk, cash flow and fair value interest rate risk) credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group mainly operates in Hong Kong, Cambodia and the PRC with most of the transactions settled in HK\$, US\$ and Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB.

As HK\$ is pegged to US\$, management considered the foreign exchange risk on US\$ to the Group is minimal.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, if RMB had strengthened/weakened by 0.5% against HK\$ with all other variables held constant, pre-tax profit for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 would decrease/increase by HK\$54,000, HK\$51,000, HK\$195,000 and HK\$218,000, respectively mainly as a result of foreign exchange losses/gains on translation of trade and bills payables which are denominated in RMB.

The Group had certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. During the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the Group recorded other comprehensive income/(loss) of currency translation differences of HK\$102,000, (HK\$261,000), (HK\$1,163,000) and HK\$501,000 respectively. Foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are insignificant.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to both cashflow and fair value interest rate risk as certain bank deposits and borrowings are carried at variable rates and certain bank deposits are carried at fixed rates, respectively.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, if the interest rates on bank deposits and borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year/period would be HK\$141,000 higher/lower, HK\$118,000 higher/lower, HK\$79,000 higher/lower and HK\$86,000 lower/higher, respectively, mainly as a result of higher/lower net interest income/expenses on floating rate bank deposits and borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash at bank, pledged bank deposits, trade receivables, deposits and other receivables and amounts due from a director and related parties. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group's cash at bank and pledged bank deposits were deposited with credit worthy financial institutions. Therefore, the directors do not expect any losses arising from non-performance by these counterparties.

The credit quality of the customers is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Group had a concentration of credit risk given that the top 5 customers accounted for 89%, 89%, 76% and 81% of the Group's total year/period end trade receivable balance. However, the Group does not consider that the credit risk in relation to these customers is significant because these customers are financially healthy and have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables is good and management is of the opinion that provision for uncollectible receivables is not necessary as at 31 March 2015, 2016 and 2017 and 31 July 2017.

For amounts due from a director and related parties, the Group has assessed their abilities to repay the outstanding amounts and management expects no significant losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statements of financial position dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the Track Record Period).

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment and no interest payments were included. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
As at 31 March 2015				
Trade and bills payables	125,719	–	–	125,719
Accruals and other payables	682	–	–	682
Amounts due to directors	13,915	–	–	13,915
Amount due to a related party	4,609	–	–	4,609
Borrowings	14,954	–	–	14,954
Derivative financial instruments	16,401	–	–	16,401
	<u>176,280</u>	<u>–</u>	<u>–</u>	<u>176,280</u>
As at 31 March 2016				
Trade and bills payables	92,957	–	–	92,957
Accruals and other payables	801	–	–	801
Amounts due to directors	29,283	–	–	29,283
Amount due to a related party	3,601	–	–	3,601
Borrowings	14,104	114	–	14,218
Derivative financial instruments	19,891	–	–	19,891
	<u>160,637</u>	<u>114</u>	<u>–</u>	<u>160,751</u>
As at 31 March 2017				
Trade and bills payables	118,285	–	–	118,285
Accruals and other payables	2,053	–	–	2,053
Amounts due to directors	49,022	–	–	49,022
Amount due to a related party	1,527	–	–	1,527
Borrowings	35,543	98	–	35,641
	<u>206,430</u>	<u>98</u>	<u>–</u>	<u>206,528</u>
As at 31 July 2017				
Trade and bills payables	129,913	–	–	129,913
Accruals and other payables	5,658	–	–	5,658
Amounts due to directors	46,865	–	–	46,865
Amount due to a related party	2,712	–	–	2,712
Borrowings	32,903	54	–	32,957
	<u>218,051</u>	<u>54</u>	<u>–</u>	<u>218,105</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table.

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

**Maturity analysis – Bank borrowings subject
to a repayment on demand clause
based on scheduled repayments**

	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Over 5 years HK\$'000	Total outflows HK\$'000
At 31 March 2015	5,216	2,857	4,204	3,641	15,918
At 31 March 2016	6,728	2,857	2,021	2,967	14,573
At 31 March 2017	15,955	13,766	6,768	–	36,489
At 31 July 2017	15,299	13,404	2,419	–	31,122

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the combined statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity" shown in the combined statements of financial position.

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Cash and bank balances excluding pledged bank deposits (<i>Note 19</i>)	43,139	37,848	51,365	15,771
Less: borrowings (<i>Note 23</i>)	(14,954)	(14,205)	(35,632)	(32,952)
Net cash/(debt)	<u>28,185</u>	<u>23,643</u>	<u>15,733</u>	<u>(17,181)</u>
Total capital	<u>23,580</u>	<u>54,452</u>	<u>68,220</u>	<u>85,240</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>20%</u>

As at 31 March 2015, 2016 and 2017, the Group was at net cash position, hence the gearing ratio was not applicable. As at 31 July 2017, the increase in the gearing ratio resulted from the drop in cash and cash equivalents balance due to delay in receipt from customers.

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's liabilities that are measured at fair value as at 31 March 2015, 2016 and 2017 and 31 July 2017.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Liabilities				
As at 31 March 2015				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	16,401	–	16,401
	<u>–</u>	<u>16,401</u>	<u>–</u>	<u>16,401</u>
As at 31 March 2016				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	19,891	–	19,891
	<u>–</u>	<u>19,891</u>	<u>–</u>	<u>19,891</u>
As at 31 March 2017				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
As at 31 July 2017				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

There was no transfer among level 1, 2 and 3 during each of the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017.

Specific valuation techniques used to value the derivative financial instruments included:

- Quoted market price from banks or dealer quotes for similar instruments.
- The fair value of derivative financial instruments are determined using forward exchange rates, risk-free rates and volatility at the year end date.

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, trade receivables, other receivables and deposits, amounts due from/(to) directors, amounts due from/(to) related parties, trade and other payables and borrowings approximate to their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

3.4 Offsetting financial assets and financial liabilities

(a) *Financial assets*

The following financial assets are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognised financial assets <i>HK\$'000</i>	Gross amounts of recognised financial liabilities set off in the combined balance sheets <i>HK\$'000</i>	Net amounts of financial assets presented in the combined balance sheets <i>HK\$'000</i>
As at 31 March 2015			
Amount due from a director	525	(525)	–
Amounts due from related parties	6,208	(8)	6,200
	<u>6,733</u>	<u>(533)</u>	<u>6,200</u>
As at 31 March 2016			
Amount due from a director	213	(213)	–
Amounts due from related parties	9,994	(16)	9,978
	<u>10,207</u>	<u>(229)</u>	<u>9,978</u>
As at 31 March 2017			
Amount due from a director	13,743	(3,100)	10,643
Amounts due from related parties	8,196	(16)	8,180
	<u>21,939</u>	<u>(3,116)</u>	<u>18,823</u>
As at 31 July 2017			
Amount due from a director	20,048	(6,096)	13,952
Amounts due from related parties	10,080	(16)	10,064
	<u>30,128</u>	<u>(6,112)</u>	<u>24,016</u>

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognised financial liabilities <i>HK\$'000</i>	Gross amounts of recognised financial assets set off in the combined balance sheets <i>HK\$'000</i>	Net amounts of financial liabilities presented in the combined balance sheets <i>HK\$'000</i>
As at 31 March 2015			
Amounts due to directors	14,440	(525)	13,915
Amounts due to related parties	4,617	(8)	4,609
	<u>19,057</u>	<u>(533)</u>	<u>18,524</u>
As at 31 March 2016			
Amounts due to directors	29,496	(213)	29,283
Amounts due to related parties	3,617	(16)	3,601
	<u>33,113</u>	<u>(229)</u>	<u>32,884</u>
As at 31 March 2017			
Amounts due to directors	52,122	(3,100)	49,022
Amounts due to related parties	1,543	(16)	1,527
	<u>53,665</u>	<u>(3,116)</u>	<u>50,549</u>
As at 31 July 2017			
Amounts due to directors	52,961	(6,096)	46,865
Amounts due to related parties	2,728	(16)	2,712
	<u>55,689</u>	<u>(6,112)</u>	<u>49,577</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimation at each statement of financial position date.

(b) Provision for impairment of trade and other receivables

Significant judgement is exercised in the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed, payment trend including subsequent payments, and financial positions of the debtors.

(c) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives or residual values are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(d) Income tax

The Group is subject to income tax in Hong Kong, Cambodia and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the directors of the Group. The directors of the Group consider the business from a product perspective which is the manufacture and trading of hand-bag products. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in these combined financial statements.

The amounts provided to the directors of the Group with respect to total assets and total liabilities are measured in a manner consistent with that in the combined statements of financial position.

Geographical information

The Company is domiciled in Hong Kong. The revenue from customers in United States of America for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 and 2017 are HK\$458,090,000, HK\$437,407,000, HK\$471,477,000, HK\$126,677,000 and HK\$157,620,000 respectively, the revenue from customers in Spain are HK\$1,085,000, HK\$38,074,000, HK\$65,837,000, HK\$25,681,000 and HK\$32,500,000 respectively, and the total revenue from customers in other countries are HK\$86,868,000, HK\$110,459,000, HK\$139,900,000, HK\$41,553,000 and HK\$47,785,000 respectively. For the purpose of classification, the geographical source of revenue is determined based on the destination of the goods delivered to customers. Revenues from the individual countries included in other countries are not material.

The non-current assets information below is based on the location of assets and excludes deposits paid for plant and equipment.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	7,563	13,804	10,990	10,280
Hong Kong	10,023	1,798	1,276	1,060
Cambodia	20,825	22,330	30,268	34,768
	<u>38,411</u>	<u>37,932</u>	<u>42,534</u>	<u>46,108</u>

Information about major customers

Revenue from the Group's major customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer A	317,970	122,912	130,532	36,728	59,370
Customer B	120,531	235,293	177,942	59,398	21,107
Customer C	76,099	88,906	91,346	31,109	29,583
Customer D	850	39,538	74,836	27,470	36,794
Customer E	–	3,803	50,805	6,027	27,473
Customer F	–	4,603	61,556	12,645	34,976
	<u>515,450</u>	<u>495,055</u>	<u>587,017</u>	<u>173,377</u>	<u>209,303</u>

6 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

An analysis of revenue, other income and other (losses)/gains is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue:					
Sales of goods	<u>546,043</u>	<u>585,940</u>	<u>677,214</u>	<u>193,911</u>	<u>237,905</u>
Other income:					
Rental income (Note 15)	498	42	–	–	–
Sundry income	<u>94</u>	<u>9</u>	<u>35</u>	<u>18</u>	<u>30</u>
	<u>592</u>	<u>51</u>	<u>35</u>	<u>18</u>	<u>30</u>
Other (losses)/gains, net:					
Realised gains/(losses) on derivative financial instruments	665	(5,938)	(10,315)	(10,315)	–
Unrealised losses on derivative financial instruments	(8,315)	(3,490)	–	–	–
Net (losses)/gains on disposal of property, plant and equipment	(29)	309	(1,067)	–	–
Net exchange gains/(losses)	712	(1,714)	3,101	108	1,050
Gain on disposal of an investment property	–	16,828	–	–	–
Gain on sales of scrap materials	<u>358</u>	<u>4,700</u>	<u>2,181</u>	<u>271</u>	<u>510</u>
	<u>(6,609)</u>	<u>10,695</u>	<u>(6,100)</u>	<u>(9,936)</u>	<u>1,560</u>
	<u>(6,017)</u>	<u>10,746</u>	<u>(6,065)</u>	<u>(9,918)</u>	<u>1,590</u>

7 EXPENSES BY NATURE

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Cost of inventories sold	331,652	307,728	326,870	97,958	113,004
Tooling and cutting mould expenses	5,846	12,679	9,398	1,711	4,609
Packing expenses	3,530	5,074	3,181	921	845
Sub-contracting charges	100,837	106,724	101,547	35,025	22,078
Transportation and customs charges	17,114	19,633	23,262	6,259	6,251
Operating lease rental in respect of land and building	1,308	1,318	1,374	460	813
Employee benefit expense (Note 8)	45,262	65,255	108,591	25,625	47,931
Auditor's remuneration					
– Audit services	59	102	200	–	–
– Non-audit services	–	–	–	–	–
Travelling expense	1,044	1,300	1,285	493	294
Entertainment expense	1,099	1,344	991	329	152
Listing expenses	–	–	4,125	–	13,268
Amortisation on land use rights (Note 13)	44	44	44	14	14
Depreciation on investment property (Note 15)	706	118	–	–	–
Depreciation on property, plant and equipment (Note 14)	4,119	6,665	7,804	2,485	2,766
Legal and professional fee	80	358	438	84	285
Utilities	3,699	4,033	4,762	902	1,597
Repairs and maintenance	430	284	733	47	358
Other expenses	10,255	11,682	12,020	5,025	4,610
	<u>527,084</u>	<u>544,341</u>	<u>606,625</u>	<u>177,338</u>	<u>218,875</u>
Total cost of sales, selling and distribution expenses and administrative expenses					

8 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and allowances	43,116	62,401	103,567	24,789	45,890
Pension costs – defined contribution plans	2,146	2,854	5,024	836	2,041
	<u>45,262</u>	<u>65,255</u>	<u>108,591</u>	<u>25,625</u>	<u>47,931</u>

Notes:

(a) Directors' emoluments

The emoluments of individual directors of the Company are set out below:

	Salaries HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
For the year ended 31 March 2015				
Directors				
Mr. Ma Hing Man	1,843	–	18	1,861
Mr. Ma Hing Ming	1,843	–	18	1,861
Ms. Ma Lan Chu	1,185	–	18	1,203
Mr. Ma Yum Chee	690	–	18	708
Ms. Ma Lan Heung	652	–	18	670
	<u>6,213</u>	<u>–</u>	<u>90</u>	<u>6,303</u>
For the year ended 31 March 2016				
Directors				
Mr. Ma Hing Man	1,997	–	18	2,015
Mr. Ma Hing Ming	1,997	–	18	2,015
Ms. Ma Lan Chu	1,438	–	18	1,456
Mr. Ma Yum Chee	840	–	18	858
Ms. Ma Lan Heung	806	–	18	824
	<u>7,078</u>	<u>–</u>	<u>90</u>	<u>7,168</u>
For the year ended 31 March 2017				
Directors				
Mr. Ma Hing Man	1,713	–	18	1,731
Mr. Ma Hing Ming	1,632	–	18	1,650
Ms. Ma Lan Chu	1,092	–	18	1,110
Mr. Ma Yum Chee	626	–	18	644
Ms. Ma Lan Heung	588	–	18	606
	<u>5,651</u>	<u>–</u>	<u>90</u>	<u>5,741</u>

	Salaries <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the four months ended 31 July 2016 (Unaudited)				
Directors				
Mr. Ma Hing Man	604	–	6	610
Mr. Ma Hing Ming	604	–	6	610
Ms. Ma Lan Chu	424	–	6	430
Mr. Ma Yum Chee	246	–	6	252
Ms. Ma Lan Heung	236	–	6	242
	<u>2,114</u>	<u>–</u>	<u>30</u>	<u>2,144</u>
For the four months ended 31 July 2017				
Directors				
Mr. Ma Hing Man	622	–	6	628
Mr. Ma Hing Ming	514	–	6	520
Ms. Ma Lan Chu	334	–	6	340
Mr. Ma Yum Chee	192	–	6	198
Ms. Ma Lan Heung	176	–	6	182
	<u>1,838</u>	<u>–</u>	<u>30</u>	<u>1,868</u>

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017.

Mr. Lam Kwok Cheong, Mr. Wong Wai Keung Frederick and Mr. Yeung Chi Wai were appointed as the Company's independent non-executive directors on date. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

(b) Director's retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 March 2015, 2016 and 2017 and 31 July 2017, there are no loans, quasi-loans and other dealings arrangement in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(e) Directors' material interest in transactions, arrangements or contracts

Save as elsewhere disclosed in the notes to the historical financial information, there is no significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the Track Record Period.

(f) Five highest paid individuals

For each of the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016, the five individuals whose emoluments were the highest in the Group include the 5 directors whose emoluments were reflected in the analysis presented above.

For the four months ended 31 July 2017, the five individuals whose emoluments were the highest in the Group include 4 directors whose emoluments were reflected in the analysis presented above. The emolument paid to the remaining individual is as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and allowances	-	-	-	-	237
Pension costs – defined contribution plans	-	-	-	-	3
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 March			Four months ended 31 July	
	2015	2016	2017	2016 (unaudited)	2017
Less than HK\$500,000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

No incentive payments or compensation loss of office was paid or payable to any of the five highest paid individuals during each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017.

9 FINANCE COSTS, NET

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Finance costs:					
– Interest expense on bank borrowings	(453)	(343)	(614)	(90)	(332)
– Interest expense on bills payables	(862)	(887)	(1,059)	(369)	(319)
– Interest expense on finance lease liabilities	–	(4)	(13)	(5)	(4)
	<u>(1,315)</u>	<u>(1,234)</u>	<u>(1,686)</u>	<u>(464)</u>	<u>(655)</u>
Finance income:					
– Interest income on bank deposits	<u>5</u>	<u>634</u>	<u>476</u>	<u>248</u>	<u>39</u>
Finance costs, net	<u><u>(1,310)</u></u>	<u><u>(600)</u></u>	<u><u>(1,210)</u></u>	<u><u>(216)</u></u>	<u><u>(616)</u></u>

10 INCOME TAX EXPENSES

The amount of income tax charged to the combined income statements represents:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Current income tax:					
– Hong Kong profits tax	4,022	3,444	7,669	1,089	3,367
– Overseas taxation	404	215	691	254	84
Deferred tax (<i>Note 24</i>)	<u>(38)</u>	<u>(47)</u>	<u>23</u>	<u>–</u>	<u>34</u>
	<u><u>4,388</u></u>	<u><u>3,612</u></u>	<u><u>8,383</u></u>	<u><u>1,343</u></u>	<u><u>3,485</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017. Taxation on overseas profits has been calculated on the estimated assessable profit for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017 at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to the Cambodia tax laws, Wah Sun HK Factory (Cambodia) Co., Ltd, one of the wholly owned subsidiaries of the Group, is entitled to preferential tax treatment with full exemption from Cambodia corporate income tax for four financial years starting from 1 January 2015.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before income tax	11,632	51,745	63,314	6,439	20,004
Tax calculated at domestic tax rates applicable to profits in the respective countries:	1,742	9,518	11,302	1,239	3,979
Tax effects of:					
Tax holiday on assessable profits of subsidiary incorporated in Cambodia	–	(4,003)	(3,709)	–	(2,744)
Tax losses disallowed during the tax exemption period	816	–	–	100	–
Income not subject to tax	(1)	(2,881)	(79)	(59)	(1)
Expenses not deductible for tax purposes	1,372	576	689	–	2,168
Others	459	402	180	63	83
Income tax expenses	4,388	3,612	8,383	1,343	3,485

For each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017, the weighted average applicable tax rate was 15%, 18%, 18%, 19% and 20%, respectively.

11 DIVIDENDS

No dividend has been paid or declared by the Company for the Track Record Period.

Dividends during each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017. The dividends related to the year ended 31 March 2017 of HK\$40,000,000 were settled through current accounts with directors. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group reorganisation and the preparation of the results for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017 on a combined basis as disclosed in Note 1.3 above.

13 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Year ended 31 March			Four months ended 31 July
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Beginning of the year/period	526	482	438	394
Amortisation	(44)	(44)	(44)	(14)
End of the year/period	<u>482</u>	<u>438</u>	<u>394</u>	<u>380</u>

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant, machinery and moulds HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2014						
Cost	23,372	24,334	6,259	3,573	–	57,538
Accumulated depreciation	(6,858)	(18,264)	(3,814)	(1,126)	–	(30,062)
Net book amount	<u>16,514</u>	<u>6,070</u>	<u>2,445</u>	<u>2,447</u>	<u>–</u>	<u>27,476</u>
Year ended 31 March 2015						
Opening net book amount	16,514	6,070	2,445	2,447	–	27,476
Additions	–	4,856	896	361	–	6,113
Disposals	–	–	(147)	–	–	(147)
Depreciation charge	(1,012)	(1,859)	(652)	(640)	–	(4,163)
Currency translation differences	4	8	4	1	–	17
Closing net book amount	<u>15,506</u>	<u>9,075</u>	<u>2,546</u>	<u>2,169</u>	<u>–</u>	<u>29,296</u>
At 31 March 2015						
Cost	23,382	29,261	6,944	3,936	–	63,523
Accumulated depreciation	(7,876)	(20,186)	(4,398)	(1,767)	–	(34,227)
Net book amount	<u>15,506</u>	<u>9,075</u>	<u>2,546</u>	<u>2,169</u>	<u>–</u>	<u>29,296</u>
Year ended 31 March 2016						
Opening net book amount	15,506	9,075	2,546	2,169	–	29,296
Additions	–	10,045	1,494	548	2,921	15,008
Disposals	–	–	(11)	–	–	(11)
Depreciation charge	(1,010)	(3,946)	(1,041)	(722)	–	(6,719)
Currency translation differences	(18)	(37)	(23)	(2)	–	(80)
Closing net book amount	<u>14,478</u>	<u>15,137</u>	<u>2,965</u>	<u>1,993</u>	<u>2,921</u>	<u>37,494</u>

	Buildings <i>HK\$'000</i>	Plant, machinery and moulds <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2016						
Cost	23,335	31,631	7,298	4,459	2,921	69,644
Accumulated depreciation	(8,857)	(16,494)	(4,333)	(2,466)	–	(32,150)
Net book amount	<u>14,478</u>	<u>15,137</u>	<u>2,965</u>	<u>1,993</u>	<u>2,921</u>	<u>37,494</u>
Year ended 31 March 2017						
Opening net book amount	14,478	15,137	2,965	1,993	2,921	37,494
Additions	–	3,652	496	844	8,808	13,800
Transfer	10,419	–	–	–	(10,419)	–
Disposal	–	(1,017)	(60)	–	–	(1,077)
Depreciation charge	(1,189)	(4,769)	(1,015)	(890)	–	(7,863)
Currency translation differences	(37)	(109)	(67)	(1)	–	(214)
Closing net book amount	<u>23,671</u>	<u>12,894</u>	<u>2,319</u>	<u>1,946</u>	<u>1,310</u>	<u>42,140</u>
At 31 March 2017						
Cost	33,630	24,393	7,142	5,293	1,310	71,768
Accumulated depreciation	(9,959)	(11,499)	(4,823)	(3,347)	–	(29,628)
Net book amount	<u>23,671</u>	<u>12,894</u>	<u>2,319</u>	<u>1,946</u>	<u>1,310</u>	<u>42,140</u>
Four months ended 31 July 2017						
Opening net book amount	23,671	12,894	2,319	1,946	1,310	42,140
Additions	–	1,398	–	731	4,262	6,391
Transfer	–	–	–	313	(313)	–
Depreciation charge	(509)	(1,679)	(290)	(368)	–	(2,846)
Currency translation differences	13	7	22	1	–	43
Closing net book amount	<u>23,175</u>	<u>12,620</u>	<u>2,051</u>	<u>2,623</u>	<u>5,259</u>	<u>45,728</u>
At 31 July 2017						
Cost	33,677	25,802	7,189	6,341	5,259	78,268
Accumulated depreciation	(10,502)	(13,182)	(5,138)	(3,718)	–	(32,540)
Net book amount	<u>23,175</u>	<u>12,620</u>	<u>2,051</u>	<u>2,623</u>	<u>5,259</u>	<u>45,728</u>

Depreciation of HK\$1,293,000, HK\$1,763,000, HK\$1,905,000 and HK\$658,000 have been charged to “administrative expenses” and HK\$2,826,000, HK\$4,902,000, HK\$5,899,000 and HK\$2,108,000 have been charged to “cost of sales” for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2017 respectively. In addition, depreciation of HK\$44,000, HK\$54,000, HK\$59,000 and HK\$80,000 has been capitalised as inventories as at 31 March 2015, 2016 and 2017 and 31 July 2017 respectively.

Motor vehicles include the following amounts where the Group is a lessee under finance leases.

	As at 31 March		As at 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Cost	–	488	735	735
Accumulated depreciation	–	(98)	(207)	(257)
Net book amount	–	390	528	478

The Group leases motor vehicles under non-cancellable finance lease agreement. The lease term is two years.

15 INVESTMENT PROPERTY

	Year ended 31 March			Four months ended 31 July
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Net book amount				
Beginning of the year	9,339	8,633	–	–
Depreciation	(706)	(118)	–	–
Disposal	–	(8,515)	–	–
End of the year	8,633	–	–	–
Cost	15,697	–	–	–
Accumulated depreciation	(7,064)	–	–	–
Net book amount	8,633	–	–	–

Amounts recognised in the combined income statements for an investment property:

	Year ended 31 March			Four months ended 31 July
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Rental income (<i>Note 6</i>)	498	42	–	–
Direct operating expenses from property that generated rental income	(86)	(13)	–	–
	412	29	–	–

The investment property was pledged as collateral for the Group's bank borrowings as at 31 March 2015.

The fair value of the Group's investment property as at 31 March 2015 was HK\$25,900,000, as determined by an independent professional valuation firm, RHL Appraisal Limited, using the direct comparison approach by making reference to comparable sale evidence as available in the relevant market.

The fair value estimation of the investment property is categorised in Level 3 hierarchy. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as conditions, location, building age and etc. The most significant input into this estimation approach is price per unit of floor area.

The investment property is situated in Hong Kong.

Depreciation expenses of HK\$706,000 and HK\$118,000 for the years ended 31 March 2015 and 2016 have been included in the "administrative expenses" respectively.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Assets as per combined statements of financial position				
Loans and receivables:				
– Trade receivables	60,912	61,276	98,108	144,426
– Deposits and other receivables	745	2,747	1,245	1,328
– Amount due from a director	–	–	10,643	13,952
– Amounts due from related parties	6,200	9,978	8,180	10,064
– Pledged bank deposits	–	25,968	20,251	20,285
– Cash and cash equivalents	43,139	37,848	51,365	15,771
Total	<u>110,996</u>	<u>137,817</u>	<u>189,792</u>	<u>205,826</u>

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Liabilities as per combined statements of financial position				
Other financial liabilities at amortised cost:				
– Trade and bills payables	125,719	92,957	118,285	129,913
– Accruals and other payables	682	801	2,053	5,658
– Amounts due to directors	13,915	29,283	49,022	46,865
– Amount due to a related party	4,609	3,601	1,527	2,712
– Borrowings	14,954	14,205	35,632	32,952
	<u>159,879</u>	<u>140,847</u>	<u>206,519</u>	<u>218,100</u>
Liabilities at fair value through profit or loss:				
– Derivative financial instruments	16,401	19,891	–	–
Total	<u>176,280</u>	<u>160,738</u>	<u>206,519</u>	<u>218,100</u>

17 INVENTORIES

	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	As at 31 July 2017 HK\$'000
Raw materials	32,705	16,576	31,180	31,643
Work-in-progress	13,731	13,869	8,713	13,077
Finished goods	2,042	3,301	6,323	13,327
	<u>48,478</u>	<u>33,746</u>	<u>46,216</u>	<u>58,047</u>

The cost of inventories recognised as expense and included in “cost of sales” in the combined income statements amounted to HK\$331,652,000, HK\$307,728,000, HK\$326,870,000, HK\$97,958,000 and HK\$113,004,000 for each of the years ended 31 March 2015, 2016 and 2017 and each of the four months ended 31 July 2016 and 2017 respectively.

18 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Trade receivables	60,912	61,276	98,108	144,426
Deposits	322	1,121	1,074	1,074
Prepayments	4,611	7,610	7,215	8,020
Value-added tax recoverable	2,501	2,462	2,786	3,322
Other receivables	423	1,626	171	254
	7,857	12,819	11,246	12,670
Less: non-current portion				
Deposits paid for plant and equipment	(204)	(305)	–	–
Current portion	7,653	12,514	11,246	12,670

The maximum exposure to credit risk as at 31 March 2015, 2016 and 2017 and 31 July 2017 was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade and other receivables excluding prepayments and value-added tax recoverable approximate their fair values.

The trade and other receivables excluding prepayments and value-added tax recoverable are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
US\$	61,395	62,482	99,113	145,515
HK\$	142	1,275	236	236
RMB	120	266	4	3
	61,657	64,023	99,353	145,754

Note:

Trade receivables

The credit terms of trade receivables generally range from 30 to 90 days from the invoice date. As at 31 March 2015, 2016 and 2017 and 31 July 2017, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within 30 days	33,266	33,237	58,970	81,914
31 to 60 days	22,483	15,345	26,300	50,441
61 to 90 days	4,140	12,678	12,398	10,682
Over 90 days	1,023	16	440	1,389
	60,912	61,276	98,108	144,426

As at 31 March 2015, 2016 and 2017 and 31 July 2017, trade receivables of HK\$11,288,000, HK\$14,703,000, HK\$21,472,000 and HK\$26,350,000 respectively, were past due but not impaired. These balances mainly relate to five independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
1 to 30 days	9,717	14,640	21,031	23,863
31 to 60 days	1,312	48	400	2,122
61 to 90 days	259	1	24	323
Over 90 days	–	14	17	42
	<u>11,288</u>	<u>14,703</u>	<u>21,472</u>	<u>26,350</u>
Overdue but not impaired				

The other classes within trade and other receivables do not contained impaired assets.

19 CASH AND BANK BALANCES

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Cash at bank	42,389	36,934	49,422	15,616
Cash on hand	750	914	1,943	155
	<u>43,139</u>	<u>37,848</u>	<u>51,365</u>	<u>15,771</u>
Cash and cash equivalents				
Pledged bank deposits	–	25,968	20,251	20,285
	<u>43,139</u>	<u>63,816</u>	<u>71,616</u>	<u>36,056</u>
Cash and bank balances				
Maximum exposure to credit risk	<u>42,389</u>	<u>62,902</u>	<u>69,673</u>	<u>35,901</u>

As at 31 March 2016 and 2017 and 31 July 2017, pledged bank deposits of HK\$25,968,000, HK\$20,251,000 and HK\$20,285,000 were held at bank for issuance of bank facilities and bank borrowings respectively.

As at 31 March 2016, pledged bank deposits are denominated in HK\$. As at 31 March 2017 and 31 July 2017, the pledged bank deposits are denominated in US\$. Pledged bank deposits are deposited with a creditworthy bank with no recent history of default.

The weighted average effective interest rates on pledged bank deposits, with maturity ranging from one month to six months, were 3.05%, 1.47% and 1.47% per annum for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 respectively.

Cash and bank balances were denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
HK\$	16,758	29,684	7,588	2,729
US\$	24,767	27,951	60,883	31,969
RMB	1,614	6,181	3,145	1,358
	<u>43,139</u>	<u>63,816</u>	<u>71,616</u>	<u>36,056</u>

The Group's certain bank balances and deposits denominated in RMB are deposited with banks in the PRC and Hong Kong. The conversion of these RMB denominated balances into foreign currencies and the remittance of fund out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

Cash and cash equivalents include the following for the purpose of the combined statements of cash flows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Cash and cash equivalents	43,139	37,848	51,365	15,771
Bank overdrafts (<i>Note 23</i>)	–	–	–	(2,477)
	<u>43,139</u>	<u>37,848</u>	<u>51,365</u>	<u>13,294</u>

20 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Forward foreign currency contracts	<u>16,401</u>	<u>19,891</u>	<u>–</u>	<u>–</u>

As at 31 March 2015 and 2016, the Group had outstanding forward foreign currency contracts to sell US\$ and to purchase RMB. As at 31 March 2015 and 2016, the notional principal amounts of the outstanding contracts underlying the derivative financial liabilities were approximately HK\$505,300,000 and HK\$420,825,000 respectively.

21 COMBINED CAPITAL AND SHARE CAPITAL

(a) Group

Combined capital as at 31 March 2015, 2016 and 2017 and 31 July 2017 represented the combined share capital of the subsidiaries after elimination of inter-company investments.

(b) Company

The Company was incorporated in the Cayman Islands on 29 May 2017. At the date of incorporation, the authorised share capital is HK\$380,000 comprising 38,000,000 ordinary shares of HK\$0.01 each.

	Number of Share	HK\$
At 29 May 2017 (date of incorporation)	–	–
Allotment of share (<i>Note</i>)	1	–
	<u>1</u>	<u>–</u>
At 31 July 2017	<u>1</u>	<u>–</u>

Note: 1 share of HK\$0.01 was allotted and issued on 29 May 2017.

22 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	83,331	60,633	76,236	81,956
Bills payables	42,388	32,324	42,049	47,957
	<u>125,719</u>	<u>92,957</u>	<u>118,285</u>	<u>129,913</u>
Accruals and other payables				
– Accrued salaries	3,683	5,108	9,747	11,284
– Accruals for listing expense	–	–	1,456	2,145
– Other accruals and payables	682	801	597	3,513
	<u>4,365</u>	<u>5,909</u>	<u>11,800</u>	<u>16,942</u>
	<u>130,084</u>	<u>98,866</u>	<u>130,085</u>	<u>146,855</u>

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amounts of trade and bills payables, accruals and other payables approximate their fair values.

Notes:

(a) Trade and bills payables

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	31,343	28,700	58,839	61,595
31 to 60 days	48,419	25,602	15,878	46,591
61 to 90 days	22,492	18,085	41,500	21,179
Over 90 days	23,465	20,570	2,068	548
	<u>125,719</u>	<u>92,957</u>	<u>118,285</u>	<u>129,913</u>

The trade and bills payables are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
HK\$	85,707	64,717	40,391	47,762
US\$	29,186	18,078	38,911	41,975
RMB	10,826	10,162	38,983	40,176
	<u>125,719</u>	<u>92,957</u>	<u>118,285</u>	<u>129,913</u>

(b) Accruals and other payables

The accruals and other payables are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
HK\$	1,075	1,169	2,630	3,117
RMB	728	971	2,272	2,941
US\$	2,562	3,769	6,898	10,884
	<u>4,365</u>	<u>5,909</u>	<u>11,800</u>	<u>16,942</u>

23 BORROWINGS

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Non-Current				
Finance lease liabilities (note b)	–	112	96	54
Current				
Bank overdraft (note a)	–	–	–	2,477
Bank borrowings (note a)	14,954	13,876	35,299	30,257
Finance lease liabilities (note b)	–	217	237	164
	<u>14,954</u>	<u>14,093</u>	<u>35,536</u>	<u>32,898</u>
Total borrowings	<u>14,954</u>	<u>14,205</u>	<u>35,632</u>	<u>32,952</u>

Notes:

(a) **Bank overdrafts and bank borrowings**

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

Bank overdrafts and borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Bank overdrafts on demand	–	–	–	2,477
Within 1 year	4,887	6,457	15,187	14,691
Between 1 and 2 years	2,648	2,732	13,402	13,162
Between 2 and 5 years	3,941	1,829	6,710	2,404
Over 5 years	3,478	2,858	–	–
	<u>14,954</u>	<u>13,876</u>	<u>35,299</u>	<u>32,734</u>

The weighted average interest rates during the Track Record Period were as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
				2017
Short-term bank loans	<u>2.89%</u>	<u>2.78%</u>	<u>2.29%</u>	<u>2.27%</u>

At 31 March 2015, 2016 and 2017 and 31 July 2017, the borrowings are denominated in HK\$.

The exposure of the Group's borrowings to interest rate changes and contractual repricing dates are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within 1 year	2,890	4,388	13,045	13,256
1 to 2 years	579	590	13,402	13,162
2 to 5 years	1,799	1,829	6,710	2,404
Over 5 years	3,478	2,858	–	–
	<u>8,746</u>	<u>9,665</u>	<u>33,157</u>	<u>28,822</u>

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amounts of the borrowings approximate their fair values.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Group had aggregate banking facilities of HK\$77,746,000, HK\$110,665,000, HK\$124,970,000 and HK\$119,850,000 respectively, for trade finance, overdrafts and loans. Unutilised facilities as at the same date amounted to HK\$20,404,000, HK\$64,465,000, HK\$47,622,000 and HK\$39,159,000, respectively. The Group's banking facilities are subject to annual review and secured and/or guaranteed by:

- (i) unlimited personal guarantees from Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee as at 31 March 2015, 2016 and 2017 and 31 July 2017. All such guarantees are expected to be released before listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited;
- (ii) certain properties owned by Mr. Ma Hing Ming, Ms. Wu Yu Ling, Ms. Ma Lan Chu, Mr. Ma Hing Man, Ms. Ma Lan Heung, Ms. Yung Ngan Sim and Ms. Chan Sim Kuen as at 31 March 2015, 2016 and 2017 and 31 July 2017. All such securities are expected to be released before listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited;
- (iii) investment property as at 31 March 2015 (Note 15); and
- (iv) pledged bank deposits of HK\$25,968,000, HK\$20,251,000 and HK\$20,285,000 were pledged for revolving loans provided by the bank as at 31 March 2016 and 2017 and 31 July 2017.

(b) Finance lease liabilities

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross finance lease liabilities				
– minimum lease payments				
No later than 1 year	–	228	244	169
Later than 1 year and no later than 5 years	–	114	98	54
	–	342	342	223
Future finance charges on finance leases	–	(13)	(9)	(5)
Present value of finance lease liabilities	–	329	333	218
	–	217	237	164
	–	112	96	54
	–	329	333	218

The present value of finance lease liabilities is as follows:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
No later than 1 year	–	217	237	164
Later than 1 year and no later than 5 years	–	112	96	54
	–	329	333	218

24 DEFERRED INCOME TAX LIABILITIES

Deferred tax has been calculated on temporary differences under the liability method using the applicable tax rates which is expected to apply at the time of reversal of the temporary difference.

	2015	As at 31 March	2017	As at
	<i>HK\$'000</i>	2016	<i>HK\$'000</i>	31 July
		<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
Deferred income tax liabilities	73	26	49	83

The movements in deferred income tax liabilities during the year are as follows:

	Accelerated tax
	depreciation
	<i>HK\$'000</i>
At 1 April 2014	111
Credited to the combined income statements (<i>Note 10</i>)	(38)
At 31 March 2015	73
At 1 April 2015	73
Credited to the combined income statements (<i>Note 10</i>)	(47)
At 31 March 2016	26
At 1 April 2016	26
Charged to the combined income statements (<i>Note 10</i>)	23
At 31 March 2017	49
At 1 April 2017	49
Charged to the combined income statements (<i>Note 10</i>)	34
At 31 July 2017	83

As at 31 March 2015, 2016 and 2017 and 31 July 2017, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future.

Deferred income tax liabilities of nil, HK\$909,000, HK\$ 3,505,000 and HK\$5,681,000 have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries on 31 March 2015, 2016 and 2017 and 31 July 2017 respectively. Such amounts are permanently reinvested.

25 COMMITMENTS

Group

(a) Capital commitments

As at 31 March 2015, 2016 and 2017 and 31 July 2017, capital expenditure contracted for at the end of Track Record Period but not yet incurred are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Property, plant and equipment	–	2,142	2,116	4,042
	<u>–</u>	<u>2,142</u>	<u>2,116</u>	<u>4,042</u>

(b) Operating lease commitments – as lessee

The Group leases offices and land which are non-cancellable with lease terms between 3 and 11 years. The lease expenses charged to the combined income statements during the Track Record Period are disclosed in Note 7.

The future aggregate minimum lease rental expenses in respect of offices and land under non-cancellable operating leases are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
No later than 1 year	1,296	1,350	2,635	3,432
Later than 1 year and no later than 5 years	9,937	11,563	11,904	11,672
Over 5 years	8,928	2,976	–	–
	<u>20,161</u>	<u>15,889</u>	<u>14,539</u>	<u>15,104</u>

Company

As at 31 July 2017, the Company does not have any material commitment.

26 NET CASH GENERATED FROM/(USED IN) OPERATIONS

Notes	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before income tax	11,632	51,745	63,314	6,439	20,004
Adjustments for:					
Amortisation of prepaid operating lease payment	7	44	44	44	14
Depreciation of property, plant and equipment	7	4,119	6,665	7,804	2,485
Depreciation of investment property	7	706	118	–	–
Net losses/(gains) on disposal of property, plant and equipment	6	29	(309)	1,067	–
Gain on disposal of investment property	6	–	(16,828)	–	–
Unrealised losses on derivative financial instruments	6	8,315	3,490	–	–
Finance income	9	(5)	(634)	(476)	(39)
Finance costs	9	1,315	1,234	1,686	464
		26,155	45,525	73,439	9,154
23,400					
Changes in working capital:					
Inventories	(12,447)	15,365	(11,070)	6,232	(12,107)
Trade receivables	13,444	(364)	(36,832)	(37,630)	(46,318)
Prepayments, deposits and other receivables	(4,384)	(5,102)	1,487	2,798	(1,566)
Trade and bills payables	37,877	(32,780)	25,077	26,534	12,388
Accruals and other payables	(15,770)	1,543	5,843	1,112	5,302
Net cash generated from/(used in) operations	44,875	24,187	57,944	8,200	(18,901)

In the combined statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Net book value (Note 14)	147	11	1,077	–	–
Net (losses)/gains on disposal of property, plant and equipment	(29)	309	(1,067)	–	–
Proceeds from disposal of property, plant and equipment	118	320	10	–	–

27 CASH FLOW INFORMATION – FINANCING ACTIVITIES

This section sets out the reconciliation of liabilities arising from financing activities for each of the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2017.

	Amount due (from)/to directors HK\$'000	Dividend payable HK\$'000	Finance lease liabilities HK\$'000	Interest payable HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 April 2014	9,772	–	52	–	19,309	29,133
Non cash – dividend declared	–	10,000	–	–	–	10,000
Non cash – interest cost	–	–	–	1,315	–	1,315
Cash flow – investing activities	(5,021)	–	–	–	–	(5,021)
Cash flow – financing activities	9,260	(10,000)	(52)	(1,315)	(4,355)	(6,462)
Foreign exchange adjustment	(96)	–	–	–	–	(96)
At 31 March 2015	<u>13,915</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,954</u>	<u>28,869</u>
At 1 April 2015	13,915	–	–	–	14,954	28,869
Non cash – purchase of a motor vehicle – finance lease	–	–	382	–	–	382
Non cash – dividend declared	–	20,000	–	–	–	20,000
Non cash – interest cost	–	–	–	1,234	–	1,234
Cash flow – investing activities	(15,610)	–	–	–	–	(15,610)
Cash flow – financing activities	30,157	(20,000)	(53)	(1,234)	(1,078)	7,792
Foreign exchange adjustment	821	–	–	–	–	821
At 31 March 2016	<u>29,283</u>	<u>–</u>	<u>329</u>	<u>–</u>	<u>13,876</u>	<u>43,488</u>
At 1 April 2016	29,283	–	329	–	13,876	43,488
Non cash – purchase of a motor vehicle – finance lease	–	–	251	–	–	251
Non cash – derivative financial instrument	19,891	–	–	–	–	19,891
Non cash – dividend declared	40,000	–	–	–	–	40,000
Non cash – interest cost	–	–	–	1,686	–	1,686
Cash flow – investing activities	(64,322)	–	–	–	–	(64,322)
Cash flow – financing activities	12,718	–	(247)	(1,686)	21,423	32,208
Foreign exchange adjustment	809	–	–	–	–	809
At 31 March 2017	<u>38,379</u>	<u>–</u>	<u>333</u>	<u>–</u>	<u>35,299</u>	<u>74,011</u>

	Amount due (from)/to directors <i>HK\$'000</i>	Dividend payable <i>HK\$'000</i>	Finance lease liabilities <i>HK\$'000</i>	Interest payable <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017	38,379	–	333	–	35,299	74,011
Non cash – interest cost	–	–	–	655	–	655
Cash flow – investing activities	(5,466)	–	–	–	–	(5,466)
Cash flow – financing activities	–	–	(115)	(655)	(5,042)	(5,812)
At 31 July 2017	<u>32,913</u>	<u>–</u>	<u>218</u>	<u>–</u>	<u>30,257</u>	<u>63,388</u>
(Unaudited)						
At 1 April 2016	29,283	–	329	–	13,876	43,488
Non cash – interest cost	–	–	–	464	–	464
Non cash – derivative financial instrument	19,891	–	–	–	–	19,891
Cash flow – investing activities	(39,859)	–	–	–	–	(39,859)
Cash flow – financing activities	7,709	–	(71)	(464)	7,090	14,264
Foreign exchange adjustment	(425)	–	–	–	–	(425)
At 31 July 2016	<u>16,599</u>	<u>–</u>	<u>258</u>	<u>–</u>	<u>20,966</u>	<u>37,823</u>

28 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee, who have entered into an acting in concert agreement.

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of the related parties	Relationship with the Group
Mr. Ma Hing Man	Director and Controlling Shareholder of the Company
Mr. Ma Hing Ming	Director and Controlling Shareholder of the Company
Ms. Ma Lan Chu	Director and Controlling Shareholder of the Company
Mr. Ma Yum Chee	Director and Controlling Shareholder of the Company
Ms. Ma Lan Heung	Director and Controlling Shareholder of the Company
Mr. Ma Wing Yin	Director of a subsidiary
Mr. Ma Hiu Fai	Director of a subsidiary
Ms. Dong Yan	Director of a subsidiary
Ms. Yung Ngan Sim	Spouse of Mr. Ma Yum Chee
Ms. Chan Sim Kuen	Spouse of Mr. Ma Hing Man
World Global Enterprise Limited	Controlled by Mr. Ma Wing Yin

(b) The following transactions were carried out with related parties:

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Continuing transactions:					
Rental expenses paid or payable to related parties					
– Ms. Dong Yan	837	876	930	310	651
– Ms. Ma Lan Chu and Ms. Yung Ngan Sim	276	276	276	92	96
– Ms. Ma Lan Heung and Ms. Chan Sim Kuen	144	144	144	48	56
	<u>1,257</u>	<u>1,296</u>	<u>1,350</u>	<u>450</u>	<u>803</u>
Total	<u>1,257</u>	<u>1,296</u>	<u>1,350</u>	<u>450</u>	<u>803</u>

Non-continuing transaction:

On 14 July 2016, the Group transferred certain derivative financial instruments to World Global Enterprise Limited, a related company, at their fair value as of that date with a consideration of HK\$23,450,000 which has been settled through the current account of Ms. Ma Lan Chu, giving rise to no gain or loss on disposal. In the opinion of the directors of the Group, the above related party transaction was conducted on basis mutually agreed by both parties.

(c) **Key management compensation**

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March			Four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries, bonus and other allowances	6,213	7,078	5,651	2,114	1,838
Retirement benefit costs					
– Mandatory Provident Fund Scheme	90	90	90	30	30
	<u>6,303</u>	<u>7,168</u>	<u>5,741</u>	<u>2,144</u>	<u>1,868</u>
Total	<u>6,303</u>	<u>7,168</u>	<u>5,741</u>	<u>2,144</u>	<u>1,868</u>

(d) Amounts due from/(to) directors and related parties

Group

The Group has the following balances with the related parties:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-trade receivables from				
<u>Director</u>				
– Mr. Ma Hing Man	–	–	10,643	13,952
<u>Related parties</u>				
– Mr. Ma Wing Yin	3,100	4,989	4,090	5,032
– Mr. Ma Hiu Fai	3,100	4,989	4,090	5,032
	6,200	9,978	8,180	10,064
Non-trade payables to				
<u>Directors</u>				
– Mr. Ma Hing Man	2,248	4,188	–	–
– Mr. Ma Hing Ming	1,483	4,901	8,088	5,869
– Ms. Ma Lan Chu	5,097	10,386	19,983	21,705
– Mr. Ma Yum Chee	2,486	4,811	10,136	8,476
– Ms. Ma Lan Heung	2,601	4,997	10,815	10,815
	13,915	29,283	49,022	46,865
<u>Related party</u>				
– Ms. Dong Yan	4,609	3,601	1,527	2,712

The maximum outstanding balances due from the directors and related parties during the Track Record Period are as follows:

	Year ended 31 March			Four months ended
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Directors</u>				
– Mr. Ma Hing Man	–	–	23,567	23,567
– Mr. Ma Hing Ming	540	1,203	1,784	2,996
– Ms. Ma Lan Chu	–	967	3,541	3,541
<u>Related parties</u>				
– Mr. Ma Wing Yin	3,357	4,997	5,122	5,040
– Mr. Ma Hiu Fai	3,357	4,997	5,122	5,040

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the receivables and payables from/(to) the above directors and related parties were unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with directors and related parties are denominated in the following currencies:

	As at 31 March			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 July 2017 HK\$'000
Non-trade receivables from directors and related parties				
HK\$	–	–	10,643	13,952
RMB	6,200	9,978	8,180	10,064
	<u>6,200</u>	<u>9,978</u>	<u>18,823</u>	<u>24,016</u>
Non-trade payables to directors and a related party				
HK\$	11,445	27,247	42,066	43,053
US\$	7,079	5,637	8,483	6,439
	<u>18,524</u>	<u>32,884</u>	<u>50,549</u>	<u>49,492</u>

All balances due from/(to) directors and related parties as at 31 July 2017 are expected to be fully settled before listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

Company

As at 31 July 2017, the receivable from a related party was unsecured, interest-free and repayable on demand and approximate its fair value.

(e) Other arrangements with related parties

Banking facilities available to the Group were guaranteed by Mr. Ma Hing Man, Mr. Ma Hing Ming, Ms. Ma Lan Chu, Ms. Ma Lan Heung and Mr. Ma Yum Chee, as at 31 March 2015, 2016 and 2017 and 31 July 2017. All such guarantees are expected to be released before listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

29 CONTINGENT LIABILITIES

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Company and the Group did not have any material contingent liabilities.

30 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 July 2017:

- (i) On 11 December 2017, the Group completed the Reorganisation (Note 1.2).
- (ii) Capitalisation issue

Pursuant to the resolutions of the sole shareholder passed on 2 January 2018, subject to the share premium account of the Company being credited as a result of the issue of the offer shares under the global offering, the directors are authorised to allot and issue a total of 299,990,000 shares credited as fully paid at par to Wah Sun Holdings by way of capitalisation of HK\$2,999,900 standing to the credit of the share premium account of the Company.

- (iii) Pursuant to a sole shareholder's resolution dated 2 January 2018, the Company declared a dividend of HK\$20,000,000 to the sole shareholder. The dividend have not been paid up to the date of this report.
- (iv) Pursuant to a sole shareholder's resolution dated 2 January 2018, the Company conditionally adopted a share option scheme under which the board of directors may grant options to selected participants of the Group to subscribe shares of the Company. No options have been granted up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2017 and up to the date of this report.

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountant, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this appendix.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 as if the Global Offering had taken place on that date assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as at 31 July 2017 or at any future dates. It is prepared based on the combined net tangible assets of the Group as at 31 July 2017 as set out in the Accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July, 2017 (Note 1) HK\$'000	Estimated net proceeds from the Global Offering (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets per ordinary share (Note 3) HK\$
Based on an Offer Price of HK\$1.00 per share	<u>85,240</u>	<u>78,344</u>	<u>163,584</u>	<u>0.41</u>
Based on an Offer Price of HK\$1.38 per share	<u>85,240</u>	<u>114,441</u>	<u>199,681</u>	<u>0.50</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 31 July 2017 of HK\$85,240,000.
- (2) The estimated net proceeds for the purpose of unaudited pro forma adjusted combined net tangible assets of the Group are based on the indicative Offer Price of HK\$1.00 and HK\$1.38 per Share, respectively, after deduction of the underwriting fees and other related expenses to be paid by the Group (excluding the listing expenses which have been charged to profit or loss up to 31 July 2017) and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (3) The unaudited pro forma adjusted combined net tangible assets per ordinary share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 ordinary shares were in issue assuming that the Global Offering has been completed on 31 July 2017 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue shares and the general mandate to repurchase shares.
- (4) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2017.
- (5) The unaudited pro forma adjusted combined net tangible assets of the Group does not take into account the dividend of approximately HK\$20 million declared by the Group on 2 January 2018. The unaudited pro forma adjusted combined net tangible assets per Share would have been HK\$0.36 and HK\$0.45 per Share based on the Offer Price of HK\$1.00 and HK\$1.38, respectively, after taking into account the declaration of dividend in the sum of approximately HK\$20 million.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountant, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Wah Sun Handbags International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wah Sun Handbags International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 July 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 to II-2 of the Company's prospectus dated 10 January 2018, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 July 2017 as if the proposed initial public offering had taken place at 31 July 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 July 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing 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 ("HKICPA").

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 proposed initial public offering at 31 July 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 accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, 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 by the directors of the Company 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 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountant

Hong Kong, 10 January 2018

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 2 January 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(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 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 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 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, 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

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for 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 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 contract or arrangement concerning an offer of shares or 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting, particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed

to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) 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 amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst 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 amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 May 2017. Our Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 July 2017 and the principal place of business in Hong Kong is at Room 9, 6/F, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong. Mr. Li Yat Tin Dominic has been appointed as the authorised representative of our Company on 19 June 2017 for acceptance on behalf of our Company of service of process and notices required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles of Association is set out in Appendix III.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. Upon incorporation, one nil paid Share was allotted and issued to Wah Sun Holdings.
- (b) Pursuant to the Reorganisation, on 11 December 2017, Wah Sun Holdings subscribed for, and our Company issued and allotted 9,999 Shares to Wah Sun Holdings and credited as fully paid the one nil paid Share held by Wah Sun Holdings in consideration for Wah Sun Holdings transferring 51 shares of US\$1.00 each in Wah Sun BVI to our Company.
- (c) On 2 January 2018, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Global Offering, without taking into account of any Share which may be allotted and issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 4,600,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in “Further Information about our Company – Written Resolutions of our Sole Shareholder passed on 2 January 2018” in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorised 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.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I.

Save as disclosed in “History and Development – Reorganisation”, there have been no alternations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our sole Shareholder passed on 2 January 2018

By written resolutions of our sole Shareholder passed on 2 January 2018, the following resolutions were passed by our sole Shareholder, pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association to take effect on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional of 4,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects;
- (c) conditional on the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options that may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank *pari passu* with the then existing Shares in all respects;

- (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iv) the Capitalisation Issue was approved and conditional further on the share premium account of our Company being credited with the proceeds obtained from the Global Offering, our Directors were authorised to capitalise an amount of HK\$2,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 299,990,000 Shares for allotment and issue to our sole Shareholder whose name appears on the register of members of our Company at the close of business of the business day immediately preceding the Listing Date, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation;
- (d) subject to the Global Offering becoming unconditional, a general mandate (the “**Issuing Mandate**”) was given to our Directors to allot, issue and deal with, otherwise than pursuant to (i) a rights issue; (ii) scrip dividend scheme or similar arrangements in accordance with the Articles of Association; and (iii) a specific authority granted by our Shareholders in general meeting Shares with an aggregate number not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;
- (e) subject to the Global Offering becoming unconditional, a general mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them 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 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 Global

Offering but excluding any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be hold its next annual general meeting; or
 - (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting; and
- (f) the Issuing Mandate mentioned in sub-paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, see “History and Development – Reorganisation”.

5. Repurchase of Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 2 January 2018, subject to the Global Offering becoming unconditional, a general mandate (the “**Repurchase Mandate**”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and 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, the expiration of the period within which the next annual general meeting of our Company is required by applicable laws of the Cayman Islands or the Articles of Association to be held, or when the Repurchase Mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

(ii) *Sources of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own 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.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

(iii) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person” (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company listed on the Stock Exchange.

(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 a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may,

depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Capitalisation Issue and Global Offering, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

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

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

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 of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase 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 Listing Rules).

No connected person (as defined in the Listing Rules) of our Company 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.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into 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 to the business of our Group:





- (a) a novation agreement dated 14 July 2016 entered into among Wah Sun Hand-bag Factory Company Limited, as transferor, World Global Enterprise Limited, as transferee, and DBS Bank (Hong Kong) Limited, as the remaining party, pursuant to which, *inter alia*, DBS Bank (Hong Kong) Limited and Wah Sun Hand-bag Factory Company Limited were each released and discharged from further obligations to each other with respect to the transactions as identified in the annex to the novation agreement and their respective rights against each other thereunder are cancelled;
- (b) an equity transfer agreement (《股權轉讓出資協議》) dated 11 June 2017 entered into between Ma Hiu Fai (馬曉輝) as transferor and Union Gold Holdings Limited (達金集團有限公司) as transferee, pursuant to which Ma Hiu Fai (馬曉輝) has agreed to transfer 35.57% of the equity interests in Dongguan Quickmind Handbag Factory Co., Ltd* (東莞創思手袋有限公司), equivalent to HK\$4,930,000 paid-up capital in Dongguan Quickmind Handbag Factory Co., Ltd* (東莞創思手袋有限公司) to Union Gold Holdings Limited (達金集團有限公司) at a total consideration of HK\$4,930,000;
- (c) an equity transfer agreement (《股權轉讓出資協議》) dated 11 June 2017 entered into between Ma Wing Yin (馬穎賢) as transferor and Union Gold Holdings Limited (達金集團有限公司) as transferee, pursuant to which Ma Wing Yin (馬穎賢) has agreed to transfer 64.43% of the equity interests in Dongguan Quickmind Handbag Factory Co., Ltd* (東莞創思手袋有限公司), equivalent to HK\$8,930,000 paid-up capital in Dongguan Quickmind Handbag Factory Co., Ltd* (東莞創思手袋有限公司) to Union Gold Holdings Limited (達金集團有限公司) at a consideration of HK\$8,930,000;
- (d) a share sale and purchase agreement dated 14 June 2017 entered into among Ma Hing Ming, Ma Lan Chu and Dong Yan as sellers and Wah Sun Global Development Limited as buyer, pursuant to which each of Ma Hing Ming and Ma Lan Chu has agreed to transfer 400 shares in Wah Sun HK Factory (Cambodia) Co., Ltd., and Dong Yan has agreed to transfer 200 shares in Wah Sun HK Factory (Cambodia) Co., Ltd., to Wah Sun Global Development Limited with the price of each share to be based on “net asset value of the latest management accounts”;

- (e) a sale and purchase agreement dated 11 December 2017 entered into, among Wah Sun International Holdings Limited, as vendor and warrantor, Ma Lan Chu, Ma Hing Ming, Ma Lan Heung, Ma Yum Chee and Ma Hing Man, as warrantors, and Wah Sun Handbags International Holdings Limited, as purchaser, pursuant to which Wah Sun International Holdings Limited agreed to transfer 51 shares of US\$1.00 in Wah Sun Global Development Limited, representing the total issued share capital of Wah Sun Global Development Limited to Wah Sun Handbags International Holdings Limited, at a consideration of US\$51 which shall be satisfied by Wah Sun Handbags International Holdings Limited, (i) crediting as fully paid one nil paid share of HK\$0.01 in its share capital and (ii) issuing and allotting 9,999 ordinary shares to Wah Sun International Holdings Limited, credited as fully paid;
- (f) a cornerstone investment agreement dated 3 January 2018 entered into among Wah Sun Handbags International Holdings Limited, Long Tai Hong Trading Limited and DBS Asia Capital Limited, pursuant to which Long Tai Hong Trading Limited agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$10,000,000, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (g) a cornerstone investment agreement dated 3 January 2018 entered into among Wah Sun Handbags International Holdings Limited, Feng Cheng Handbags Industry Limited, Mr. Chen Bo and DBS Asia Capital Limited, pursuant to which Feng Cheng Handbags Industry Limited agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$10,000,000, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (h) a cornerstone investment agreement dated 3 January 2018 entered into among Wah Sun Handbags International Holdings Limited, Jing Xin Metal Zipper Factory and DBS Asia Capital Limited, pursuant to which Jing Xin Metal Zipper Factory agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$5,000,000, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (i) a cornerstone investment agreement dated 3 January 2018 entered into among Wah Sun Handbags International Holdings Limited, Mr. Gao Xiang and DBS Asia Capital Limited, pursuant to which Mr. Gao Xiang agreed to subscribe for such number of Shares at the Offer Price for an aggregate subscription amount of HK\$5,000,000, on the terms as more particularly set out in the section headed “Cornerstone Investors”;
- (j) the Deed of Non-competition;
- (k) the Deed of Indemnity; and
- (l) the Hong Kong Underwriting Agreement.



2. Intellectual property rights

(a) Trademark

As the Latest Practicable Date, our Group had applied for registration of the following trademarks which are material to our business:

No.	Trademark	Applicant	Class	Application number	Application date	Place of registration
1.		Wah Sun HK	18	24144433	16 May 2017	PRC
2.		Wah Sun HK	40	24144432	16 May 2017	PRC
3.	WAH SUN	Wah Sun HK	18	24144431	16 May 2017	PRC
4.	WAH SUN	Wah Sun HK	40	24144430	16 May 2017	PRC
5.	华新	Wah Sun HK	18	24144429	16 May 2017	PRC
6.	華新	Wah Sun HK	18	24144428	16 May 2017	PRC
7.	 WAH SUN HAND-BAG FACTORY COMPANY LIMITED 華新手提袋有限公司	Wah Sun HK	18	24144427	16 May 2017	PRC
8.	 WAH SUN HAND-BAG FACTORY COMPANY LIMITED 華新手提袋有限公司	Wah Sun HK	40	24144426	16 May 2017	PRC

As the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Registered owner	Class	Application number	Registration date	Place of registration
1.		Wah Sun HK	18 and 40	304109977	13 April 2017	Hong Kong
2.	WAH SUN	Wah Sun HK	18 and 40	304109986	13 April 2017	Hong Kong
3.	華新/华新	Wah Sun HK	18 and 40	304109995	13 April 2017	Hong Kong
4.		Wah Sun HK	18 and 40	304110001	13 April 2017	Hong Kong

(b) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Registrant	Domain Name	Registration Date	Expiry Date
Wah Sun HK	WAHSUN.COM.HK	23 December 1998	N/A

Save as aforesaid, there are no other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Immediately following the completion of the Capitalisation Issue and the Global Offering but without taking into account of any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, 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 any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Interest in our Company

Name of Director	Nature of interest (Note 1)	Number of Shares held (L) (Note 2)	Percentage of shareholding
Mr. Ma Hing Ming	Interest in a controlled corporation; interest held jointly with other persons	300,000,000	75%
Ms. Ma Lan Chu	Interest in a controlled corporation; interest held jointly with other persons	300,000,000	75%

Name of Director	Nature of interest (Note 1)	Number of Shares held (L) (Note 2)	Percentage of shareholding
Mr. Ma Hing Man	Interest in a controlled corporation; interest held jointly with other persons	300,000,000	75%
Mr. Ma Yum Chee	Interest in a controlled corporation; interest held jointly with other persons	300,000,000	75%
Ms. Ma Lan Heung	Interest in a controlled corporation; interest held jointly with other persons	300,000,000	75%

Notes:

- Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Hing Man, Mr. Ma Yum Chee and Ms. Ma Lan Heung have decided to restrict their ability to exercise direct control over our Company by holding their interests through a common investment entity, Wah Sun Holdings. Wah Sun Holdings' entire issued share capital is personally held by each of Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man as to 20%. They are also parties to the Acting in Concert Deed pursuant to which each of them has agreed, *inter alia*, to consolidate their respective interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Mr. Ma Hing Ming, Ms. Ma Lan Chu, Mr. Ma Hing Man, Mr. Ma Yum Chee and Ms. Ma Lan Heung is therefore deemed to be interested in the shares of Wah Sun Holdings held by each of them in aggregate and all the Shares held by Wah Sun Holdings under the SFO.
- The letter "L" denotes the person's long position in such Shares.

(ii) Interest in associated corporations

Name of Director	Name of associated corporations	Nature of interest (Note 1)	Number of Wah Sun Holdings' shares held (L) (Note 2)	Approximate percentage of shareholding
Ms. Ma Lan Heung	Wah Sun Holdings	Beneficial owner; interest held jointly with other persons	5	100%
Mr. Ma Yum Chee	Wah Sun Holdings	Beneficial owner; interest held jointly with other persons	5	100%
Ms. Ma Lan Chu	Wah Sun Holdings	Beneficial owner; interest held jointly with other persons	5	100%

Name of Director	Name of associated corporations	Nature of interest (Note 1)	Number of Wah Sun Holdings' shares held (L) (Note 2)	Approximate percentage of shareholding
Mr. Ma Hing Man	Wah Sun Holdings	Beneficial owner; interest held jointly with other persons	5	100%
Mr. Ma Hing Ming	Wah Sun Holdings	Beneficial owner; interest held jointly with other persons	5	100%

Notes:

1. Each of Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man is personally interested in one share of US\$1.00 each in Wah Sun Holdings, representing 20% of the entire issued share capital of Wah Sun Holdings. Each of them is also a party to the Acting in Concert Deed pursuant to which each of them has agreed, *inter alia*, to consolidate their respective interests in, and control the management over Wah Sun Holdings and our Company, and to vote on any resolution to be passed at any shareholders' meeting of Wah Sun Holdings and our Company in a unanimous manner. Each of Ms. Ma Lan Chu, Mr. Ma Hing Ming, Ms. Ma Lan Heung, Mr. Ma Yum Chee and Mr. Ma Hing Man is therefore deemed to be interested in the shares in Wah Sun Holdings held by each of them in aggregate under the SFO.
 2. The letter "L" denotes the person's long position in such shares.
- (b) So far as is known to our Directors and save as disclosed in this prospectus and without taking into account any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests or short positions in Shares or 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, who are, directly or indirectly, interested in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Numbers of Shares held (L) (Note 1)	Approximate percentage of shareholding
Wah Sun Holdings	Beneficial owner	300,000,000	75%
Ms. Yung Ngan Sim (Note 2)	Interest of a spouse	300,000,000	75%
Ms. Wu Yu Ling (Note 3)	Interest of a spouse	300,000,000	75%
Ms. Chan Sim Kuen (Note 4)	Interest of a spouse	300,000,000	75%

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. Ms. Yung Ngan Sim is the spouse of Mr. Ma Yum Chee. Ms. Yung Ngan Sim is deemed to be interested in the same number of Shares in which Mr. Ma Yum Chee is deemed to be interested by virtue of Part XV of the SFO.
3. Ms. Wu Yu Ling is the spouse of Mr. Ma Hing Ming. Ms. Wu Yu Ling is deemed to be interested in the same number of Shares in which Mr. Ma Hing Ming is deemed to be interested by virtue of Part XV of the SFO.
4. Ms. Chan Sim Kuen is the spouse of Mr. Ma Hing Man. Ms. Chan Sim Kuen is deemed to be interested in the same number of Shares in which Mr. Ma Hing Man is deemed to be interested by virtue of Part XV of the SFO.

2. Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing on the Listing Date, which may be terminated in accordance with the provisions of the service agreement or by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors has been appointed by our Company pursuant to a letter of appointment for a term of two years commencing on the Listing Date. The said appointment is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

3. Directors’ remuneration

- (a) The aggregate amount of remuneration (including salaries, bonus and other allowances and retirement benefits) granted to our Directors in respect of the three years ended 31 March 2017 was approximately HK\$6.3 million, HK\$7.2 million and HK\$5.7 million, respectively.
- (b) Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 March 2018 is estimated to be approximately HK\$5,304,000.
- (c) There had been no arrangement under which a Director has waived or agreed to waive any remuneration for any of the three years ended 31 March 2017.
- (d) The remuneration of our Directors was determined by reference to their qualification, experience, duties and responsibilities within our Group and prevailing market rate.

4. Fees or commission received

Save as disclosed in “Underwriting – Total Commission and Expenses”, none of our Directors or the experts named in “Other Information – Qualifications of Experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 28 to the Accountant’s Report set out in Appendix I.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in “Other Information – Qualifications of Experts” in this Appendix has any direct or indirect interest in the promotion of, 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, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in “Other Information – Qualifications 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 the business of our Group taken as a whole;
- (d) without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or 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 will be interested, directly or indirectly, 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 other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares

are listed on the Stock Exchange, 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 any interests and short positions which will be 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, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of our sole Shareholder on 2 January 2018. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form part of the Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Share Option Scheme. For the purpose of the Share Option Scheme, references to “Board” shall mean our Board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to “Participant” shall mean any director (including executive directors, non-executive directors and independent non-executive directors) and full-time and/or part-time employees of any member of our Group; references to “Grantee” shall mean any Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal personal representative of such person.

1. Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board may offer to grant an option to any Participant as our Board may in its absolute discretion select.

3. Administration

The Share Option Scheme shall be subject to the administration of our Board, and the decision of our Board shall be final and binding on all parties. Our Board shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph 6 below, in relation to such options;
- (c) subject to paragraphs 14 and 15 below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board shall be entitled at any time within ten years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant, as our Board may in its absolute discretion select, to take up an option pursuant to which such Participant may, during the option period, subscribe for such number of Shares as our Board may determine at the subscription price. The offer shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be reached, before the option can be exercised in whole or in part, and may include at the discretion of our Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year in accordance with the Listing Rules, or quarter-year or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement and where an option is granted to a director of our Company:

- (a) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-yearly period up to the publication date of the results.

For the avoidance of doubt, the period during which no option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

5. Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date on which the letter containing the offer of the grant of option is delivered to that Participant. An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company. Such remittance payment shall not be refundable in any circumstances.

6. Subscription price

The subscription price in respect of any particular option shall, subject to the adjustments referred to in paragraph 14 below, be such price determined by our Board in its absolute discretion and notified to the Participant in the offer at the time of grant of the relevant option and the subscription price shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of our Shares first commences on the Stock Exchange, the Offer Price of our Shares for the Global Offering shall be deemed to be the closing price for any business day falling within the period before listing of our Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

7. Option period

The period within which our Shares must be taken up under an option shall be the period of time to be notified by our Board to each Grantee at the time of making an offer, which shall be determined by our Board in its absolute discretion at the time of grant, but such period must not exceed ten years from the date of grant of the relevant option.

8. Rights are personal to grantee

An option and an offer shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any option held by him or any offer made to him or attempt to do so, except for the transmission of an option on the death of the Grantee to his personal representative(s) on terms of the Share Option Scheme. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such Grantee without incurring any liability on the part of our Company.

9. Rights attaching to Shares allotted

Our Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of our Shares to be issued upon the exercise of the option.

10. Exercise of option

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (i) his death or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 11(f) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless our Board otherwise determines in which event the option shall be exercisable to the extent and within such period as our Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;
- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph 11(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our

Board may determine) from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;

- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;
- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;
- (e) in the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 10(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a compromise or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

11. Lapse of option

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 date or the expiry of the periods for exercising the option as referred to in paragraph 10 above;
- (c) subject to the scheme of arrangement (referred to in paragraph 10(d) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph 10(d) above;
- (d) subject to paragraph 10(e) above, the date of the commencement of the winding-up of our Company;
- (e) the date on which the Grantee commits a breach of paragraph 8 above;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become bankrupt 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 on any other ground on which an employer would be entitled to terminate his employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph 10(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment, engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

12. Cancellation of option

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph 13 below and otherwise comply with the terms of the Share Option Scheme.

13. Maximum number of Shares subject to options

- (a) The overall limit on the 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 other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the “**Scheme Limit**”), which represents in aggregate up to 120,000,000 Shares on the date our Shares commence trading on the Stock Exchange;
- (b) Our Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of our Shares in issue on the date our Shares commence trading on the Stock Exchange, which is in aggregate up to 40,000,000 Shares (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of our Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (d) Our Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought. A circular shall be sent to Shareholders containing (among other requirements as specified under the Listing Rules) a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how those options serve such purpose;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the Shares in issue (the “**Individual Limit**”). Any further grant of options to a Participant which would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further

options exceeding the Individual Limit shall be subject to Shareholders' approval in advance with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting; and

- (f) The maximum number of Shares referred to in this paragraph 13 shall be adjusted, in such manner as the auditors or the financial advisor of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 14 below whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company, but in any event shall not exceed the Scheme Limit prescribed in paragraph 13(a) above.

14. Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards to any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

15. Alteration of the Share Option Scheme

- (a) Subject to paragraph 15(b) below, our Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);
- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. 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 also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and

- (c) Notwithstanding any approval obtained pursuant to paragraph 15(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment 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 the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

16. Termination of Share Option Scheme

Our Company by ordinary resolution in general meeting or our Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

17. Offers made to a Director, chief executive or employee who is also a Substantial Shareholder of our Company or any of their respective associates

Each grant of options to any Director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed Grantee of the grant of options). Where any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates would result in our Shares 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 (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of our Shares in issue on the date of the grant of option; and
- (b) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of options shall be subject to prior approval by our Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

18. Conditions of Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon:

- (a) the Listing Committee granting listing of and permission to deal in, (i) the Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon exercise of the Over-allotment Option and (ii) any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, whether the granting of the listing and permission is subject to conditions or not;
- (b) the obligations of the Underwriter(s) under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver(s) of any conditions by the Underwriter(s)) and not being terminated in accordance with its terms or otherwise; and
- (c) the commencement of dealings in our Shares on the Stock Exchange.

19. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

E. OTHER INFORMATION**1. Declaration of dividend**

On 2 January 2018, the Company declared a one-off and non-recurring dividend of HK\$20.0 million to the Sole Shareholder. Such dividend will be paid prior to the Listing Date. Please see the paragraph headed under “Financial Information – Dividend and Dividend Policy” for details on our dividend.

2. Tax and other indemnities

Each of our Controlling Shareholders has, under the Deed of Indemnity referred to in “Further Information about the Business – Summary of Material Contracts” in this Appendix, in favour of our Company (for ourselves and as trustee for each of our subsidiaries) in respect of, among other things, (a) any taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”), or any event, transaction, act or omission occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Effective Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and (b) all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated,

incurred or suffered by our Company or any members of our Group directly or indirectly in connection with any litigation, arbitrations, claims (including counter-claims), complains, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any member of our Group on or before the Effective Date as disclosed in this prospectus; and (c) any and all of the non-compliance with any applicable laws, rules or regulations by our Company and/or any member of our Group on or before the Effective Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited combined accounts of our Group for the Track Record Period. Our Controlling Shareholders, shall be under no liability in respect of, among others, any liability on taxation and taxation claims:

- (a) to the extent that provision has been made for such liabilities in the audited combined accounts of our Group or the audited accounts of any member of our Group for an accounting period ended on or before 31 March 2017; or
- (b) falling on any member of our Group in respect of any accounting period commencing on or after 31 March 2017 where such liability would not have arisen but for some act or omission of, or transaction entered into by any member 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 (i) carried out or effected in the ordinary course of business, on or before the Effective Date; or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus); or
- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Effective Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Effective Date with retrospective effect; or
- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provisions or reserve made for such liability in the audited accounts referred to in item (a) above which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

3. Litigation

Save as disclosed in “Business – Material Dispute and Litigation”, as at the Latest Practicable Date, no member of our Group 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 any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

4. Sponsor

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules. The Sole Sponsor’s fees payable by us in respect of its services as sponsor for the Listing is HK\$7 million (excluding any disbursement).

The Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$54,600 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

7. Qualifications of experts

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

Name	Qualifications
DBS Asia Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) of the regulated activities
PricewaterhouseCoopers	Certified Public Accountant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Beijing Grandway Law Offices	PRC legal advisers
Mekong Law Group	Cambodia legal advisers
Hogan Lovells	Legal advisers as to International Sanctions laws
Ahern Lawyers	Legal advisers as to Hong Kong law in respect of our trust arrangements
Nixon Peabody LLP	Legal advisers as to US law
Frost & Sullivan International Limited	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional valuer

None of the experts named above has any shareholding in any member 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.

8. Consents of experts

Each of the experts named in the paragraph headed “Other Information – Qualifications of Experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and the references to its name included herein in the form and context in which it is respectively included.

9. 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 penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Taxation of holders of Shares**(a) *Hong Kong***

The sale, purchase and transfer of Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged is 0.2% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercise of any rights attaching to them.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) 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;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iii) 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.

- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in “Other Information – Qualifications of Experts” in this appendix:
 - (i) is interested legally or beneficially in any securities in our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfer and other documents of title of 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. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) None of the equity or debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange.
- (h) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (i) We have not issued or agreed to issue any founder or management or deferred Shares.
- (j) We have no outstanding convertible debt securities.
- (k) There is no arrangement under which future dividends are waived or agreed to be waived.
- (l) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name registered in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

1. copies of the **WHITE** and **YELLOW** application forms;
2. the written consents referred to in “Other Information – Consents of Experts” in Appendix IV; and
3. copies of the material contracts referred to in “Further Information about the Business – Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Howse Williams Bowers at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the audited combined financial statements of our Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017;
3. the accountant’s report of our Group for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I;
4. the assurance report on the compilation of the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II;
5. the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Islands company law referred to in Appendix III;
6. the PRC legal opinions issued by Beijing Grandway Law Offices, our PRC legal advisers, in respect of general matters and the property interests of our Group;
7. the legal opinions issued by Mekong Law Group, the legal advisers to our Company as to Cambodia law, in respect of certain Cambodia laws and regulations applicable to our Company;
8. the international sanctions memorandum issued by Hogan Lovells, our International Sanctions Legal Advisers, in respect of our Group’s sales in Countries subject to International Sanctions;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

9. the F&S Report issued by Frost & Sullivan International Limited, the extracts of which are set out in the section headed “Industry Overview”;
10. the legal opinion issued by Nixon Peabody LLP, the legal advisers to our Company as to U.S. law, in respect of certain U.S. laws and regulations applicable to our Group;
11. the legal opinion issued by Ahern Lawyers, our legal advisers as to Hong Kong law in respect of trust arrangements regarding certain of our Company’s subsidiaries;
12. the material contracts referred to in “Further Information about the Business – Summary of Material Contracts” in Appendix IV;
13. the written consents referred to in “Other Information – Consents of Experts” in Appendix IV;
14. the service agreements and letters of appointment of each of our Directors referred to in “Further Information about Substantial Shareholders, Directors and Experts – Particulars of Service Agreements” in Appendix IV;
15. the rules of the Share Option Scheme; and
16. the Companies Law.

WAH SUN HANDBAGS INTERNATIONAL HOLDINGS LIMITED
華新手袋國際控股有限公司