

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

RELATIONSHIP WITH OTHER LI & FUNG COMPANIES

LF (1937)

Immediately prior to the completion of the [●], the Company will be a 63.65% owned subsidiary of LiFung Trinity. LiFung Trinity is a wholly owned subsidiary of LF (1937). The shareholding interest of LF (1937) in the Company is set out in the section headed "Substantial Shareholders and Selling Shareholder" in this document.

LF (1937) is an intermediate holding company whose ultimate beneficial owners are Dr. William Fung Kwok Lun and a family trust established for the benefit of the family members of Dr. Victor Fung Kwok King. LF (1937) is the major shareholder of a group of companies which focus on three main businesses — sourcing and export trading (through Li & Fung Trading and its subsidiaries), distribution and logistics (through IDS and its subsidiaries), and retailing (through LF Retailing and its subsidiaries). Each of the businesses focuses on a different segment of the supply chain. These businesses are also complementary to each other in areas where the expertise in each business can be cross-leveraged to create maximum value. The information about some of these companies is set out in the following paragraphs of this section.

Li & Fung Trading

Li & Fung Trading is a company whose shares are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, LF (1937) and its holding company, King Lun Holdings Limited (which is owned as to 50% by a trust established for the benefit of the family members of Dr. Victor Fung Kwok King and as to 50% by Dr. William Fung Kwok Lun), together with the shareholders of King Lun Holdings Limited, had an interest of approximately 33.6% in Li & Fung Trading. Li & Fung Trading and its subsidiaries are involved in managing the supply chain for the sourcing of high volume consumer goods which are targeted at the mass market including garments, fashion accessories, gifts, handcrafts, home products, promotional merchandise, toys, sporting goods, footwear and travel goods.

Li & Fung Trading focuses primarily on sourcing manufacturers globally and monitoring the production process of such products on behalf of its clients which comprise mainly of retailers and brand owners in the U.S., Europe and Australia, while the Company's focus is on the retail of high-to-luxury end apparel in Greater China. As the nature of their businesses as well as the geographical location of their target markets are different, the Directors are of the opinion that there is no competition between Li & Fung Trading and the Group.

IDS

IDS is a company whose shares are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, LF (1937) had an attributable interest of approximately 43.4% in IDS. IDS and its subsidiaries focus primarily on Asian distribution and wholesaling and global logistics. IDS offers a comprehensive menu of integrated distribution services to brand owners and retailers covering product segments such as fast moving consumer goods, healthcare, footwear and apparel, and wine & spirits. IDS currently has operations in Asia, the United Kingdom and the U.S. On 21 September 2009, IDS entered into agreements with Parent Group for the acquisition of the Roots business in Hong Kong, Mainland China and Taiwan. The Roots branded products are mainly casual menswear, ladieswear and accessories, which are sold to Hong Kong, Mainland China and Taiwan. As the above core businesses are entirely different from that of the Group, the Directors are of the opinion that there is no competition between IDS and the Group.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

LF Retailing and other

LF Retailing, a wholly owned subsidiary of LF (1937), is the retailing arm of Parent Group and is a substantial shareholder of the Company. LF Retailing's shareholding interest in the Company is set out in the section headed "Substantial Shareholders and Selling Shareholder" in this document.

The fashion retailing unit of LF Retailing comprises (i) the Group and (ii) BLS Holdings and its subsidiaries (collectively the "BLS Group"). Parent Group, through Fung Capital Limited, operates the Hardy Amies business. The Group on the one part, and BLS Group and Fung Capital Limited (collectively the "Excluded Group") on the other part are targeted at different customer segments, details of which are set out in the paragraph headed "Delineation of Businesses" in this section below. While the Group focuses on the retail of high-to-luxury end apparel and accessories in Greater China, the Excluded Group is principally engaged in: (a) the retail sales of medium-end mass-market ladieswear, menswear and accessories across the Asia Pacific region (through BLS Group); and (b) sales of high-to-luxury-end tailoring mens formalwear and other products and accessories outside Greater China (through Fung Capital Limited), details of which are set out in the paragraph headed "Brands Retained By Parent Group" in this section below (the "Excluded Business").

As at the Latest Practicable Date, LF Retailing also had an interest of approximately [51.2]% in Convenience Retail Asia Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Convenience Retail Asia Limited is principally engaged in the operation of a convenience store chain and a chain of bakery shops in Hong Kong and Mainland China under the trade name of "Circle K" and "Saint Honore" respectively.

LF Retailing also operates Toys "R" Us stores in Hong Kong and other countries.

As illustrated above, the businesses carried on by Parent Group (save for the Excluded Business) are of a different nature to the business carried on by the Group. In view of the reasons set out in the paragraph headed "Delineation of Businesses" in this section below, the Directors do not consider that there is any material competition or potential material competition between the Group and any other companies controlled by LF (1937).

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

BRANDS RETAINED BY PARENT GROUP

As at the Latest Practicable Date, Parent Group had interests in certain companies which engage in the fashion retail business. Parent Group either owns or is licensed to deal in the following brands which distribute similar products as the Group (the "Excluded Brands"):

<u>Brand</u>	<u>Target segment and type of products sold under the brand</u>	<u>Markets where the products are sold</u>
(i) Owned brand operated in Greater China		
a) Leo ⁽¹⁾	Business/Casual — menswear and accessories	Mainland China, Hong Kong and Macau
(ii) Owned/licensed brands operated outside Greater China		
a) Hardy Amies ⁽²⁾	Tailoring mens formalwear and other products and accessories	United Kingdom, Japan, South Korea, Singapore, Malaysia, Indonesia and Australia
(iii) Owned/licensed brands in the process of discontinuation⁽³⁾		
a) Gibo ⁽¹⁾	Business/Casual — menswear and accessories	Mainland China
b) Uffizi ⁽¹⁾	Business/Casual — menswear and accessories	Mainland China and Hong Kong
c) An internationally known UK brand	Business/Casual — menswear, ladieswear and accessories	Hong Kong and Taiwan
d) An internationally Known US brand	Casual — menswear, ladieswear and accessories	Singapore and Thailand

Notes:

(1) These are the existing House Brands. Under the management services agreement dated 13 October 2009 between the Company and BLS Holdings, the Group provides management services for these brands. Refer to section headed "Connected Transactions — B. Non-exempt Continuing Connected Transactions — 3. Provision of management services to BLS (Private Labels) by the Group" of this document for further details.

(2) Parent Group is engaged in the direct sale of the Hardy Amies products and accessories only in the United Kingdom through its retail store in London. Parent Group also appoints licensees for Hardy Amies products and accessories for other countries outside Greater China. Other Hardy Amies branded products sold by the licensees include formal womenswear, casual menswear and others.

(3) Parent Group is in the process of discontinuing its business in respect of these brands. The executive Directors understand that Parent Group intends to discontinue its business in respect of all these brands as soon as practicable and by no later than the end of year 2011 with reference to the expiration of the relevant licences and/or leases.

As at 30 September 2009, there were in aggregate 142 retail stores (excluding bargain shops) owned by Parent Group for the Excluded Brands in Mainland China, Hong Kong, Macau, Singapore, Taiwan, Thailand and the United Kingdom. Out of the 142 retail stores, 100 of them are located in the Greater China region. For the three years ended 31 December 2008, the aggregate turnover of the discontinuing Excluded Brands was approximately HK\$93.9 million, HK\$134.4 million and HK\$[197.8] million, respectively, whilst that of the continuing Excluded Brands was approximately HK\$105.8 million, HK\$179.0 million and HK\$231.2 million, respectively. The business of the Excluded Brands recorded an aggregate net loss for each of the three years ended 31 December 2008. The global financial turmoil and one-off provisions arising from the discontinuance of the businesses

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

of certain Excluded Brands (as Parent Group decided to discontinue its business in respect of certain Excluded Brands in 2008) had adverse effect on the net losses of the Excluded Brands for the year ended 31 December 2008.

Four of the Excluded Brands, namely, Gibo, Leo, Uffizi and Hardy Amies, are owned by Parent Group and the remaining Excluded Brands are licensed to Parent Group. The products of the Excluded Brands (save for Hardy Amies, which is operated outside Greater China) are medium-end mass-market apparel and accessories targeted at younger and lower income customers.

BLS Group is managed by a management team which is independent of the Group. BLS Group essentially adopts an "import and distribution" business model for the Excluded Brands (save for the House Brands). Under this business model, BLS Group sources the finished products directly from the relevant brand owners or their specified licensees for distribution in Greater China, Southeast Asia and South Korea. BLS Group controls the supply chain management of the products for the House Brands with the management services provided by the Group under a management services agreement. Refer to section headed "Connected Transactions — B. Non-exempt Continuing Connected Transactions — 3. Provision of management services to BLS (Private Labels) by the Group" in this document for details.

Parent Group does not have any intention to inject part or all of the Excluded Business into the Group. A right of first refusal and the Call Option to acquire the interests of Parent Group in respect of the Excluded Brands (which are not in the process of discontinuance their businesses) have been granted by Parent Group to the Group.

DELINEATION OF BUSINESSES

The table below sets out the principal basis for the delineation of the Group's and Parent Group's businesses (save for Hardy Amies, which is operated outside Greater China):

	The Brands	The House Brands	The Excluded Brands (other than the House Brands)
High-to-luxury end brand	✓	X	X
Target more mature, affluent and high income customers	✓	X	X
High-end exclusive locations	✓	X	X
Allow high degree of supply chain management	✓	✓	X
International brand with presence and brand awareness in Greater China	✓	X	✓

Details of the delineation of the Group's and Parent Group's businesses are set out below:

1. Different target customer segments

The brands managed by the Group and the JVs and the Excluded Brands target different customer segments. The Group's strategy focuses on the business of high-to-luxury end apparel and accessories while the products of the Excluded Brands (save for Hardy Amies, which is operated outside Greater China) are medium-end mass-market ladieswear, menswear and accessories. Therefore, the inclusion of the Excluded Brands would be inconsistent with the Group's present strategy and its business focus of the Group.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

The difference in customer segments are demonstrated principally by the following:

(a) Different price range

The ARP in Greater China for the Brands (save for Altea, which focuses on ties) is higher than that in Greater China for the Excluded Brands. The ARP in Greater China for the Brands (excluding the ARP for ties and accessories) was above HK\$5,000, while that for the Excluded Brands was less than HK\$2,000.

The aforesaid ARP is not applicable to Altea as it is a Milan originated high-end brand, where ties accounted for over 50% of the items sold by it for the year ended 31 December 2008. Altea is included in the Group's brand portfolio as it is also targeted towards a higher end customer segment than the Excluded Brands (save for Hardy Amies, which is operated outside Greater China). Altea's ties had a higher ARP than the ties of the Excluded Brands. The term of the licence for Altea will expire on 31 December 2010. The Group has no intention to renew the Altea licence in terms same as the existing terms, but will explore other possible business opportunities with Altea.

(b) Target customers

The designs for the brands operated by the Group and the JVs are targeted at more mature, affluent, high income customers and portray an exclusive image, whilst the designs for the Excluded Brands (save for Hardy Amies, which is operated outside Greater China) are generally targeted at younger and lower income customers and portray a more trendy and chic image.

(c) Different store locations

The stores for the Brands are located in department stores and shopping malls which are generally considered as high-end, exclusive locations. By contrast, the Excluded Brands (save for Hardy Amies, which is operated outside Greater China) generally target the mass market and the location of their stores reflect this characterisation. In cases where the retail stores of the Brands and the Excluded Brands co-exist in the same department store or shopping mall, the Brands are generally clustered in a different area.

As illustrated above, the Brands and the Excluded Brands are targeting different customer segments in Greater China, where the Group operates the Brands. Therefore, the Company considers that there is no material overlapping of clientele between the Brands and the Excluded Brands.

2. Different business models

The Group operates under a different business model as compared to Parent Group (save for the House Brands), which can be illustrated as follows:

(a) Supply chain

The Group's brand selection strategy is to manage brands which allow the Group a high degree of supply chain management in order to capitalise on its vertically integrated business model.

The Group manages the various stages of the supply chain for the Brands from seasonal themes and product designs, sourcing and merchandising, critical assembly and finishing, marketing and promotions, to sales and distribution.

By contrast, as disclosed in the paragraph headed "Brands Retained by Parent Group" in this section above, Parent Group essentially adopts an "import and distribution" business model for the

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

Excluded Brands (save for the House Brands and Hardy Amies) in which Parent Group has a lesser degree of control on the supply chain management of their products. Other than the fact that all the House Brands were developed internally and are owned by Parent Group while the Brands (save for Kent & Curwen) are owned by the brand owners and licensed to the Group, the business model adopted by Parent Group for the House Brands is similar to that adopted by the Group for the Brands.

Parent Group is engaged in the direct sale of the Hardy Amies products and accessories only in the United Kingdom through its retail store in London. Parent Group also appoints licensees for Hardy Amies products and accessories for other countries outside Greater China.

Although the House Brands adopt a business model similar to that of the Brands, they are not intended to be injected into the Group as they target a different customer segment with a younger age group which is generally less affluent. The Company is of the view that there will not be any material competition between the House Brands and Hardy Amies on the one part and the Brands on the other part.

(b) Brand awareness and presence in Greater China

The Group believes that a significant amount of time and resources is required to successfully introduce and market a new brand. There is also an element of risk and uncertainty as the fashion industry is fickle and a new brand may not be well accepted by the market for various reasons. The Group's strategy is therefore to focus primarily on high-to-luxury end international brands which already have a presence and brand awareness in Greater China.

By contrast, the Parent Group's strategy is different from that of the Group as it focuses primarily on medium-end mass-market brands. The Excluded Brands are either brands which originated from Greater China or are international brands that are new to the Greater China market and therefore have limited presence and brand awareness in Greater China as compared to the Brands.

REASONS FOR NOT INJECTING THE EXCLUDED BRANDS INTO THE GROUP

The Excluded Brands are not intended to be injected into the Group mainly due to (i) the different target customer segments of the Excluded Brands in Greater China (where the Group operates the Brands) which focus on the younger, less affluent age group; and (ii) (save for the House Brands) the different business model adopted by Parent Group for the Excluded Brands.

As discussed in the paragraph headed "Delineation of Businesses — 2. Different Business Models" in this section above, although the House Brands adopt a similar business model to that of the Brands, they are not intended to be injected into the Group as they target a different customer segment.

In addition to the above delineation factors, Hardy Amies is not intended to be injected into the Group in light of its geographical separation from the Brands. Hardy Amies is owned by Parent Group and operated outside Greater China, which is different from where the Group operates the Brands.

Parent Group has no intention to engage in the retail business of high-to-luxury end apparels and accessories in Greater China other than engaging in such business through the Group. As disclosed under the paragraph headed "Corporate Governance — 1. Rights to acquire the Excluded Brands" of this section below, the Company may exercise the Call Option to acquire the interest in BLS (Private Labels), which holds the House Brands, from BLS Holdings. In the event that such Call Option is not exercised, Parent Group will, after taking into account the then circumstances (such as time and cost), assess the profitability of managing the business of BLS (Private Labels). If Parent Group decides to

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

discontinue the business of BLS (Private Labels), it may dispose its interest in BLS (Private Labels) or wind up BLS (Private Labels).

INDEPENDENCE FROM PARENT GROUP

The Directors believe that the Group is capable of carrying on its business independently of the Parent Group and the Excluded Business for the following reasons:

1. Operational independence

The Group has independent access to sources of supplies/raw materials and is also independent from Parent Group in respect of its production/operation capabilities.

(a) Production and supplies independence

During the Track Record Period, Lever Style was one of the Group's five largest suppliers for the two years ended 31 December 2008 and the six months ended 30 June 2009. Lever Style is an Independent Third Party in which Fung Trinity Holdings (a member of Parent Group) holds 25% of its issued ordinary shares, while the remaining 75% of its issued ordinary shares is held by Lever Style Holdings Limited. Lever Style Holdings Limited and its ultimate beneficial owners are, so far as the Directors are aware after making all reasonable enquiries, not connected with the Lee Family. Currently, the Group completely outsources the production of product parts to Lever Style which are subsequently assembled at the Group's critical assembly and finishing facilities in Hong Kong. The Group also purchases finished apparel products, such as men's shirts, from Lever Style. The Group's purchases from Lever Style were conducted at arm's length basis and on normal commercial terms. In the event that the Group's business relationship with Lever Style is terminated in the future, the Company is of the view that it will be able to find alternative suppliers in a reasonable period of time.

(b) Operation independence

Apart from the management services provided by the Group to Parent Group for the House Brands, the Group and Parent Group have completely separate design and merchandising teams, with no overlap between designers or merchandisers for the brands operated by the Group or the JVs and the Excluded Brands (details of which are set out in the paragraph headed "Non-Competition" in this section below).

The Group and Parent Group also have completely different teams which are responsible for the following matters in respect of the brands operated by the Group and the JVs, and the Excluded Brands:

- (i) decision making regarding the sourcing of raw materials and supplies for the manufacture, production, packaging and other operational needs;
- (ii) decision making regarding sourcing and lease negotiation for retail stores and other sales areas; and
- (iii) decision making regarding sales and marketing.

The Group has been sharing certain corporate compliance services, comprising internal audit, corporate secretarial and corporate governance services, with LF (1937) Management Limited as disclosed in the section headed "Connected Transactions — A. Exempt Continuing Connected Transactions" in this document. As Parent Group has a group of personnel who are experienced in the provision of corporate compliance services, a team of dedicated full time personnel has been assigned by LF (1937) Management Limited to provide such services to the Group. Under this arrangement, the Group is able to benefit from the expertise and best corporate governance practices of Parent Group.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

The assigned team reports directly to the Group Chief Compliance Officer and not to the management of Parent Group. The personnel of the assigned team and the Group Chief Compliance Officer are not under the direct employment of the Group. The Group believes that this arrangement is beneficial to the Shareholders as the team is therefore able to perform its duties, including the provision of internal audit services, with greater autonomy and effectiveness, and free from any risk of undue influence from the management of the Group. In addition, all major findings identified by the assigned team will be reported to the audit committee (which comprises the four independent non-executive Directors) and the internal audit plan and budget of the Company need to be approved by the audit committee.

The assigned team does not provide corporate compliance services to other companies within Parent Group. Only those personnel within the assigned team are given access to information about the Group. Furthermore, the information provided is confined only to what is necessary for the provision of corporate compliance service, and is provided to personnel in the assigned team only. Divulging of information by the assigned team is only on a need-to-know basis.

The Company is committed to ensuring compliance with the requirements set out in the Listing Rules on dealings of shares and disclosure of confidential information by its Directors, the staff and personnel of the assigned team. The Company will provide the personnel of the assigned team with proper briefings on their obligations and liabilities relating to the Listing Rules and the prohibition against insider dealings or tipping of insider information under the SFO and the Listing Rules. The Company also has a code of conduct relating to the disclosure of confidential information which these personnel will have to abide by. In addition, as the assigned team does not report to management of the Group, the Company is satisfied that there are sufficient controls in place to ensure that no particular Shareholder will have access to privileged information over and above that of other Shareholders through the sharing of corporate compliance services. The Company does not believe that this arrangement will affect the operational independence of the Group.

If the audit committee considers that the current arrangement of sharing of corporate compliance services with Parent Group is no longer appropriate, or if it has any concern over the current arrangement of the internal audit function, the Company will take all necessary actions recommended by the audit committee to address such issues, which may include transferring the employment of the personnel of the assigned team to the Company.

Notwithstanding that connected persons of the Group will provide the services to the Group under the continuing connected transactions set out in the section headed "Connected Transactions" in this document, the operational independence of the Group will not be affected on the ground that the Group either has the ability to perform such services or can obtain similar services from alternative suppliers which are Independent Third Parties. Prior to any of such continuing connected transactions being renewed, the Group will independently evaluate whether it will be more justifiable for it to perform the service under such continuing connected transaction, or engage an alternative supplier which is Independent Third Party to provide such service. Renewal of such continuing connected transaction will not be made unless such renewal is in the interest of the Company and complies with all applicable requirements of the Listing Rules. Hence, the Directors consider that the Group does not have any undue reliance on Parent Group, and is capable of carrying on its business independently of Parent Group. The Directors and the [●] are of the opinion that each of such continuing connected transactions does not constitute a material transaction of the Group.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

2. Independent access to customers

As the target customers of the brands operated by the Group and the JVs are different from those of the Excluded Brands, their respective marketing teams carry on advertising, promotional and marketing activities independently of each other to target their respective group of customers. The Company is therefore satisfied that the Group has independent access to customers from Parent Group.

3. Management independence

The Board currently comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. A majority of the Directors and senior management of the Group, whose details are set out in the section headed "Directors, Senior Management and Employees" in this document, do not hold positions or perform any function within Parent Group. Details of those Directors holding positions within Parent Group are set out below:

<u>Directors</u>	<u>Position with the Company & major duties & responsibilities</u>	<u>Major positions with Parent Group & major duties & responsibilities</u>
Ms. Sabrina FUNG Wing Yee	Executive Director, responsible for corporate and marketing projects of the Group	Management of private investments for Parent Group
Dr. Victor FUNG Kwok King, GBS, CBE	Non-executive Director (Chairman)	Group Chairman of the Li & Fung Group, including publicly listed Li & Fung Trading ⁽¹⁾ , Convenience Retail Asia Limited and IDS ⁽¹⁾ , responsible for ensuring the proper functioning of the respective boards of directors, formulation of strategic objectives and policies, and ensuring good corporate governance practices and procedures are in place Director of certain companies in Li & Fung Group which operate the toy retailing stores "Toys "R" Us"
Dr. William FUNG Kwok Lun, SBS, OBE, JP	Non-executive Director (Deputy Chairman)	Group Managing Director of Li & Fung Trading ⁽¹⁾ , responsible for general business management, including implementation of major strategies and initiatives adopted by the board Non-executive director of other Li & Fung Group companies, including Convenience Retail Asia Limited and IDS ⁽¹⁾ , responsible for advising the management on strategy development and monitoring performance of the management through his diverse industry expertise Director of certain companies in Li & Fung Group which operate the toy retailing stores "Toys "R" Us"

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

<u>Directors</u>	<u>Position with the Company & major duties & responsibilities</u>	<u>Major positions with Parent Group & major duties & responsibilities</u>
Mr. Jeremy Paul Egerton HOBBS	Non-executive Director (Deputy Chairman)	Non-executive director of Convenience Retail Asia Limited and IDS ⁽¹⁾ , responsible for reviewing strategic development and monitoring management performance through his diverse industry expertise Director of LF (1937), a substantial shareholder of the Company, mainly responsible for formulating the mission and strategic direction in respect of business sustainability for the Li & Fung Group
Mr. Jose Hosea CHENG Hor Yin	Non-executive Director	Management of private equity investments in Asia for Parent Group

Note:

(1) *Instead of being subsidiaries of King Lun Holdings Limited, Li & Fung Trading and IDS are associates of King Lun Holdings Limited*

Notwithstanding one executive Director and all four non-executive Directors hold positions in Parent Group, the Company is satisfied that the Group is managed independently, under the management of the Directors and the senior management as a general body, from Parent Group.

The businesses of Parent Group, excluding the Excluded Group, are different from that of the Group. Although the abovementioned executive Director holds position in Parent Group (excluding the Excluded Group), her said position does not require her to be involved in the day-to-day management thereof. In particular, her position in Parent Group does not require her to be involved in the Excluded Business. Such executive Director has confirmed that she has dedicated and will continue to dedicate the majority of her time to the management of the Group.

None of the executive Directors hold any position in the Excluded Group which engages in the Excluded Business. The executive Directors, supported by the experienced full time senior management team, oversee the day-to-day management of the Group and are responsible for the operation of the Group's business. None of the senior management, who is responsible for the operation of the Group's business, holds any position with Parent Group.

Given the clear delineation of businesses between the Group and Parent Group and the different business strategies and business models pursued by the Group and Parent Group, the current management structure ensures independence of the daily management and operations of the Group from that of Parent Group.

The four non-executive Directors, given their roles as non-executive directors, are principally responsible for formulating corporate and business strategies and are not involved in the day-to-day management and operations of the Group. Each of the non-executive Directors has confirmed that he will spend such time as is necessary in support of the business of the Company.

In light of the above, the Company is satisfied that the Group's management has devoted and will continue to devote sufficient time and attention to the affairs of the Company.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

All of the Directors who hold positions in Parent Group have confirmed that they are fully aware of their fiduciary duties as directors which require, among other things, that he/she acts in the interests of the Company and not allow the Company to be adversely affected by any conflict between his/her duties as a director and his/her personal interests.

The Group has also adopted additional measures to ensure its independence from Parent Group, details of which are set out in the paragraph headed "Corporate Governance" in this section below.

4. Financial independence

Save for the bank borrowings of the Group as discussed in the section headed "Financial Information — Indebtedness — Borrowings and Banking Facilities" in this document, which are guaranteed by Parent Group, the Group is financially independent from Parent Group. In respect of such bank borrowings, the Group has obtained written consent from the relevant bank to release such guarantee given by Parent Group on or before the [●]. In addition, all outstanding amounts due to Parent Group and related parties will also be settled on or before the [●].

Based on the reasons mentioned above, the Directors are of the opinion that the business of the Group is independent from Parent Group, and the retention of the Excluded Brands by Parent Group will not affect the independence of the Group from Parent Group.

NON-COMPETITION

The strategy of the Group is to maintain a clear delineation amongst the businesses of the companies within Parent Group and those of the Group. The Group and each of the companies within Parent Group pursue different business strategies, and in light of the reasons set out in this section above, the Company is satisfied that there is no material competition between the Group and Parent Group.

The Directors are also of the view that although the Excluded Business may pose a certain level of potential competition, they will not amount to material direct or indirect competition with the brands of the Group and the JVs. Notwithstanding the aforesaid, the Group has implemented additional and robust measures for managing any possible conflict of interests relating to the Excluded Brands, details of which are set out in the following paragraph headed "Corporate Governance" in this section below.

The management of the Company will, for so long as Parent Group holds not less than a 30% interest in the Company, from time to time monitor and review the marketing position of the Brands and will make appropriate adjustments to its business strategy in response to changes in the market. In particular, they will review whether there is any material competition between the business of the Group and that of Parent Group. In the event that the management becomes aware of any potential material competition, they will raise this in the first instance to the full board of Directors for their consideration and decision on the appropriate course of action to take.

Based on the delineating factors set out in the paragraph headed "Delineation of Businesses" in this section above, the evaluation of the existence of competition between the Group and Parent Group will be based on the following criteria:

- whether the brand is a high-to-luxury end brand;

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

- whether the brand targets the more mature, affluent and high income customers;
- whether the brand's stores are located at high-end exclusive locations;
- whether the brand allows the Group to have a high degree of supply chain management; and
- whether the brand is an international brand which already has a presence and brand awareness in Greater China.

CORPORATE GOVERNANCE

The Group is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. The independent non-executive Directors, details of whom are set out in the section headed "Directors, Senior Management and Employees" in this document, together possess the requisite business knowledge and experience in different areas or professions for their views to carry weight. A majority of the independent non-executive Directors have experience as directors of listed companies and will be able to provide impartial and professional advice to protect the interests of the minority shareholders of the Company. The Directors believe that the composition of the Board with directors of diverse backgrounds and experience allows the Board to evaluate its decisions from different perspectives. The Company may, where necessary, seek advice from external industry experts and/or consultants in order to provide the independent non-executive Directors with all the necessary support to enable them to exercise their independent judgment and discharge their duties and obligations to the Shareholders.

The Company has adopted the following corporate governance measures to further strengthen the protection of the Shareholders' interests:

1. Rights to acquire the Excluded Brands

Parent Group has granted to the Company a right of first refusal (the "Right of First Refusal") to acquire the interests of Parent Group in respect of the Excluded Brands (which are not in the process of discontinuance of their businesses) when Parent Group intends to dispose of the same.

If Parent Group intends to dispose of its interests in respect of the Excluded Brands, it shall first offer such opportunity to the Company by notice in writing setting out full terms of the proposed sale (the "Notice") and shall provide to the Company all information which may reasonably be required by the Company for determining whether to exercise such Right of First Refusal. The Company will review such opportunity and written notice shall be given by the Company to Parent Group if the Company decides to exercise the Right of First Refusal. If the Company has not given written notice to Parent Group of its desire to acquire such interests within two months of receipt of the Notice, Parent Group shall be permitted to sell such interests to other parties on terms no more favourable than those made available to the Company.

The Right of First Refusal shall take effect from the [●] and will remain valid until (i) Parent Group ceases to hold more than 30% shareholding interests in the Company; or (ii) the Shares subsequently cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason), whichever occurs earlier.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

In addition, under the management services agreement between the Company and BLS Holdings (details of which are set out in the section headed “Connected Transactions — B. Non-exempt Continuing Connected Transactions — 3. Provision of management services to BLS (Private Labels) by the Group” of this document), the Call Option is granted to the Company, the exercise of which provides the Company a right to acquire the interest in BLS (Private Labels), which holds the House Brands, from BLS Holdings. The Call Option is exercisable at any time within the term of 36 months of the management services agreement. Upon the exercise of the Call Option by the Company, the parties will negotiate the price for acquiring the interest in BLS (Private Labels).

2. Independence committee

In connection with the Right of First Refusal and the Call Option, the Company will establish a committee comprised only of independent non-executive Directors to decide on matters relating to any potential acquisition thereunder, including whether the exercise terms of the Right of First Refusal are fair and reasonable, and whether the brands to be acquired thereunder are capable of achieving a high level of profitability and is in line with the Company’s development strategy. All necessary financial information and documents will be provided to the independence committee in order to assess the merits of exercising the Right of First Refusal and the Call Option. Such independence committee may appoint an independent financial adviser or other professional advisers to advise them.

3. Provision of information by Parent Group

Parent Group shall provide all information as reasonably required by the independence committee to assist them in their assessment of the Right of First Refusal and the Call Option.

4. Abstention from voting and absent from meeting where a conflict of interest arises

In accordance with the Listing Rules (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules), the Directors will not vote on any resolution and will not be counted in the quorum at any meeting of the Board for approving any contract, arrangement or proposal in which such Director or any of his/her associates has a material interest.

In the event that the independent non-executive Directors decide that a Director should not be present at a meeting where matters arising from material competition or material potential competition between the businesses of the Group and any other businesses of which such Director or any of his/her associates is materially interested in are the subject of discussion, such Director would be requested to absent himself/herself from such meeting. This corporate measure has been incorporated in the By-laws.

5. Reporting of material conflict of interests to independent non-executive Directors

The Board will ensure that any material conflict or material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered.

Following the reporting of any material conflict or material potential conflict of interests, the Board will hold a management meeting to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions, where necessary.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

RELATIONSHIP WITH PARENT GROUP

6. Composition of the Board

The Directors will ensure that there are a sufficient number of independent non-executive Directors who have extensive experience and knowledge in corporate management and governance on the Board.

7. Compliance with Listing Rules

The exercise of any options or rights of first refusal granted in favour of the Company will constitute connected transactions for the Company under the Listing Rules. In the event that the Company exercises any of such options or rights of first refusal, the Company will comply with all applicable reporting, announcement and/or independent shareholders' approval requirements as required under the Listing Rules.

8. Confirmation by the Company

The Board will review whether the above corporate governance measures have been complied with and disclose the compliance and/or non-compliance of the same in the Company's annual reports after [●], provided that Parent Group continues to hold more than 30% shareholding interests in the Company.

9. Appointment of compliance adviser

The Company has appointed Somerley Limited as the compliance adviser who shall provide the Company with professional advice and guidance in respect of compliance with principally the Listing Rules.