



# 南旋控股有限公司 NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1982



Sole Global Coordinator,  
Sole Bookrunner and Sole Sponsor



**CITIC CLSA**  
Securities



## GLOBAL OFFERING

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## IMPORTANT

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



南旋控股有限公司  
**NAMESON HOLDINGS LIMITED**  
*(Incorporated in the Cayman Islands with limited liabilities)*

### Global Offering

<b>Total number of Offer Shares under the Global Offering</b>	<b>: 500,000,000 Shares</b> <b>(subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Public Offer Shares</b>	<b>: 50,000,000 Shares (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>: 450,000,000 Shares (subject to adjustment and the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$1.33 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%</b>
<b>Nominal value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock code</b>	<b>: 1982</b>

### Sole Global Coordinator, Sole Bookrunner and Sole Sponsor



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

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or around Wednesday, 6 April 2016 and, in any event, not later than Sunday, 10 April 2016. The Offer Price will be not more than HK\$1.33 per Offer Share and is currently expected to be not less than HK\$1.03 per Offer Share, unless otherwise announced. Applicants for Hong Kong Public Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$1.33 per Offer Share for each Hong Kong Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.33 per Offer Share. If, for any reason, the Offer Price is not agreed by Sunday, 10 April 2016 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.03 to HK\$1.33) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.namesonholdings.com](http://www.namesonholdings.com). Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

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

Prospective investors of the Hong Kong Public Offer Shares should note that the obligations of the Hong Kong Public Offer Underwriters under the Hong Kong Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Public Offer Shares, 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 — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the US and may not be offered, sold, pledged or transferred within the US. The Offer Shares may be offered, sold or delivered outside the US in offshore transactions in accordance with Regulation S.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <u><a href="http://www.eipo.com.hk">www.eipo.com.hk</a></u> <sup>(2)</sup> .....	11:30 a.m. on Tuesday, 5 April 2016
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Tuesday, 5 April 2016
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Tuesday, 5 April 2016
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Tuesday, 5 April 2016
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Tuesday, 5 April 2016
Application lists close <sup>(3)</sup> .....	12:00 noon on Tuesday, 5 April 2016
Expected Price Determination Date <sup>(5)</sup> .....	Wednesday, 6 April 2016

(1) Announcement of:

- the Offer Price;
- the level of indication of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Public Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before..... Monday,  
11 April 2016

- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Public Offer Shares — Publication of Results" from..... Monday,  
11 April 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)<sup>(6)</sup> and our Company's website at [www.namesonholdings.com](http://www.namesonholdings.com)<sup>(7)</sup> from ..... Monday, 11 April 2016

Results of allocations in the Hong Kong Public Offering will be available at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) with a "search by ID" function from ..... Monday, 11 April 2016

Dispatch Shares certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(8)(9)</sup> ..... Monday, 11 April 2016

Dispatch of refund cheques and **WHITE** Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before<sup>(9)(10)</sup> ..... Monday, 11 April 2016

Dealings in the Shares on the Stock Exchange expected to commence at ..... 9:00 a.m. on Tuesday, 12 April 2016

*Notes:*

- (1) All dates and times refer to Hong Kong dates and times, unless otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 April 2016, the application lists will not open and close on that day. See "How to Apply for Hong Kong Public Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Tuesday, 5 April 2016, the dates mentioned above may be affected. We will make an announcement in such event.
- (4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Public Offer Shares — Applying by Giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 6 April 2016, and, in any event, not later than Sunday, 10 April 2016. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Sunday, 10 April 2016, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk).
- (7) Neither our Company’s website nor any of the information contained in our Company’s website forms part of this prospectus.
- (8) Our Company will not issue any temporary documents of title in respect of the Shares. Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 11 April 2016, but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Tuesday, 12 April 2016. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the share certificates do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as possible
- (9) Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, they may collect their refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 11 April 2016. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to the Hong Kong Share Registrar.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering may collect their refund cheques (if any) in person but may not elect to collect their certificates of Shares, which will be deposited into CCASS for the credit of their designated CCASS Participant stock accounts or CCASS Investor Participant 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.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Public Offer Shares — Applying by Giving **electronic application instructions** to HKSCC via CCASS”.

Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and whose applications are wholly or partially successful, may collect their Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 11 April 2016. For applicants who apply for less than 1,000,000 Hong Kong Public Offer Shares, Share certificates will be sent to the address specified in their application instructions to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) on or before Monday, 11 April 2016, by ordinary post and at their own risk.



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## EXPECTED TIMETABLE<sup>(1)</sup>

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Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) dispatched to the application payment bank account on Monday, 11 April 2016. Applicants who used multi-bank accounts to pay the application monies may have refund cheques (if any) dispatched to them on or before Monday, 11 April 2016. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms promptly thereafter. Further information is set out in "How to Apply for Hong Kong Public Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies".

- (10) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event the final Offer Price is less than the price payable per Offer Share on application.

For details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares, you should read "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares."

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*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 our Company, the Sole Global Coordinator, the Underwriters, any of their respective directors or affiliates, or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary is intended to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether 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 forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are one of the leading knitwear manufacturers in the PRC by manufacturers' revenue in 2014 according to the Euromonitor Report. We offer one-stop in-house solution for our customers comprising design origination, raw material procurements, sample product development, quality products and timely delivery. Our knitwear products include pullovers, cardigans, vests and accessories that are mainly exported to our international apparel brand customers. Our product quality, design development capability, timely delivery, valuable one-stop solution services, customer recognition and industry reputation give us a competitive edge which helps us maintain, and continue to strengthen, our market position as being one of the leading knitwear manufacturers.

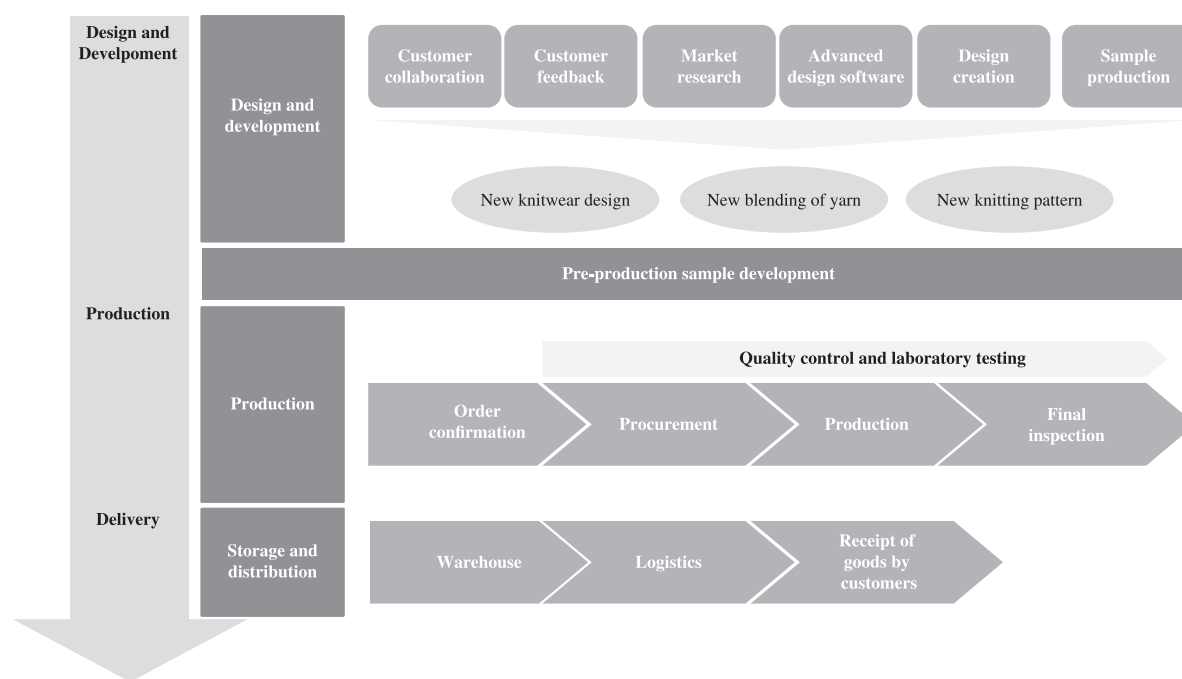
We have established long standing and strong relationships with our customers. Our five largest customers during the Track Record Period are all international apparel brands which included UNIQLO, Tommy Hilfiger and Lands' End and our main exports are to Japan, US and Europe. We started our business with UNIQLO, our largest customer, since 1995, and Tommy Hilfiger, our second largest customer, since 2001. Our efforts in the quality of our products have been recognised by our largest customer UNIQLO, who has presented the "UNIQLO Quality Supplier Award" to us commending the high quality of our products and their recognition of our quality control system, and has also certified us to produce products under the "UNIQLO" label as a trusted partner.

We have accumulated extensive manufacturing expertise and know-how in manufacturing since our establishment in 1990. Together with our technologically advanced and highly automated production, we are able to consistently produce high quality products efficiently. We also impose a stringent quality control regime for the entire production process and our raw materials are tested at our customer-accredited and SGS-certified Testing Centre.

We have a strong design and development team which offers our customers value-added service. Apart from designs which we create according to our customers' specifications, we also create own knitwear designs or knitting patterns at least a year in advance of individual seasons for customer's inspiration and selection. We also have a sizable sample development unit which allows us to produce sufficient samples to accommodate our customers' needs.

## SUMMARY

The following chart illustrates our business model:



### Our Products

The knitwear products we produce can be divided into three categories: womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves. Demand for our knitwear products is seasonal which is generally higher in the fall and winter seasons. We receive a greater number of orders during the period from May to November, which is our peak season, and a relatively lower number of orders during the period from December to April. Our revenue during the Track Record Period was mainly derived from the sales of womenswear, representing approximately 62.2%, 66.1%, 61.5% and 57.5% respectively of our total revenue for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. The table below sets out our revenue by product categories during the Track Record Period:

Revenue	Year ended 31 March						Six months ended 30 September	
	2013		2014		2015		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Womenswear	1,580,264	62.2	1,534,568	66.1	1,580,116	61.5	1,010,371	57.5
Menswear	918,429	36.1	714,837	30.8	952,381	37.1	715,096	40.7
Other products	44,112	1.7	72,860	3.1	35,170	1.4	30,965	1.8
<b>Total</b>	<b>2,542,805</b>	<b>100</b>	<b>2,322,265</b>	<b>100</b>	<b>2,567,667</b>	<b>100</b>	<b>1,756,432</b>	<b>100</b>

### Our Production Facilities

As at the Latest Practicable Date, we operated from two production facilities, namely, our PRC Factory and the first phase of our Vietnam Factory. A majority of our knitwear products were produced at our PRC Factory. In order to meet the expected increase in demand for our products

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## SUMMARY

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and to enhance our geographical footprint and ability to better serve our international customers, we diversified by constructing additional new production facilities in Vietnam, taking into account all the favourable trade arrangements in Vietnam. The first phase of our Vietnam Factory commenced production in the first quarter of 2015. For the six months ended 30 September 2015, the total designed production capacity of our PRC Factory and first phase of our Vietnam Factory was approximately 17.2 million units of knitwear. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the utilisation rates of the PRC Factory were approximately 80.1%, 70.3%, 73.3% and 85.4% respectively. With the production in the Vietnam Factory commencing in March 2015, its utilisation rate for the six months ended 30 September 2015 was 50.2%.

The construction of the second phase of our Vietnam Factory is expected to be completed in the first half of 2016. Upon completion of construction of the second phase of our Vietnam Factory, together with our PRC Factory and the first phase of our Vietnam Factory, our total designed annual production capacity will be 46.9 million unit of knitwear.

For details of the basis of the designed production capacity and utilisation rate of our factories, please refer to the section headed “Business — Production — Current production facilities and capacity” in this prospectus.

### **Our Customers**

We enter into individual purchase orders with our customers, or their designated sourcing agent, for the sales of our knitwear products. The revenue attributed to our five largest customers amounted to approximately 95.3%, 93.1%, 92.3% and 91.9% of our total revenue for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The revenue attributed to UNIQLO, our largest customer, amounted to approximately 54.8%, 50.0%, 52.3% and 49.8% of our total revenue for the corresponding years/period respectively.

In view of the relatively concentrated customer base, we continue to seek to expand and diversify our customer base. During the year 2014 and the period from January 2015 up to the Latest Practicable Date, we have gained eight and five international and PRC apparel brands as our new customers respectively.

### **Our Suppliers**

We purchase raw materials from suppliers, most of which are located in the PRC. The principal raw material which we used in the production of our knitwear products was yarn. We have established up to 17 years of business relationships with our five largest suppliers as at the Latest Practicable Date and during the Track Record Period there had not been any material disruption to our business as a result of shortage of raw materials supplies.

For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the total purchases from our five largest suppliers accounted for approximately 63.6%, 71.8%, 68.2% and 72.8% of our total purchase of raw materials respectively, and the total purchases from our largest supplier accounted for approximately 33.2%, 35.0%, 43.5% and 50.3% of our total purchase of raw materials for the corresponding years/period respectively.

During the Track Record Period, we outsourced parts of the production process of our products to third-party subcontractors mainly to supplement our capacity during the peak season. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30

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## SUMMARY

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September 2015, our subcontracting expenses incurred represented approximately 21.0%, 18.4%, 17.4% and 16.9% respectively of our total cost of sales. Our direct labour costs, excluding Directors' remuneration, accounted for approximately 16.3%, 17.5%, 16.9% and 18.5% of the total cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. For the same years/periods, our cost of yarn accounted for a substantial amount of our cost of sales, representing approximately 44.7%, 34.5%, 40.7% and 42.7% of our total cost of sales respectively.

### **Our Industry**

According to the Euromonitor Report, the total production size of knitwear accounted for approximately 47.0% of all apparel manufacturing in China in 2014 to reach RMB1,028.4 billion (or US\$168.6 billion), with a moderate growth of approximately 4.4% CAGR from 2012 to 2014 due to the downturn in the global export market as well as the switch of manufacturing bases from China to Southeast Asian countries.

The apparel manufacturing industry has been a major export sector in Vietnam in recent years, with total apparel production size by manufacturers' revenue growing at a CAGR of approximately 18.9% from 2012 to 2014 to reach VND376.3 trillion (or US\$17.8 billion) in 2014 and is expected to continue growing at a CAGR of approximately 12.7% from 2015 to 2017. According to the Euromonitor Report, amongst apparel export portfolio, knitwear is one of the key products and has been developing steadily in recent years to satisfy the growing demand from major import markets such as the US and Japan.

Our operations are located in both the PRC and Vietnam. We face competition with over 10,000 knitwear manufacturers located in different regions across the PRC, and as a new entrant to the Vietnam knitwear manufacturing industry, we also face intensive competition in such industry as the barriers to entry for the industry are considered low according to the Euromonitor Report. The knitwear manufacturing market in the PRC is highly fragmented as the top five players in the PRC knitwear manufacturing industry accounted for only 2.1% by revenue in 2014. As such, notwithstanding that we accounted for approximately 0.19% of the total knitwear manufacturing market by revenue in 2014 according to the Euromonitor Report, we are considered as one of the leading knitwear manufacturers in the PRC by manufacturers' revenue in 2014. Nevertheless, we still retain our competitiveness by producing higher-quality knitwear products. For Vietnam, given that its entry into the World Trade Organization ("WTO") in 2007 has led to certain trade advantages such as low tariffs by the US and elimination of trade quotas for garments and textile by all WTO member countries, including the US, Canada, as well as other favourable trade agreements entered into by Vietnam, we have benefited from the location of our Vietnam Factory as it is highly attractive to most of our offshore customers.

### **OUR COMPETITIVE STRENGTHS**

We believe the following strengths have contributed to our success and differentiated us from our competitors, and will continue to enable us to increase our market share and capture future growth opportunities:

- We have established long-term relationships with international apparel brands customers
- We are one of the leading knitwear manufacturers in the PRC with strong manufacturing expertise, extensive product know-how and stringent quality control which ensures high product quality and services
- We are a one-stop in-house solutions provider for knitwear products with strong and established product design and development capability

## SUMMARY

- Our production bases are strategically located
- We have an experienced management team with proven track record to lead our growth

For further details, please refer to the section headed “Business — Our Competitive Strengths” in this prospectus.

### OUR STRATEGIES

Our goal is to continue to strengthen our position as one of the leading knitwear manufacturers. We plan to implement the following strategies, each of which is discussed in details in the section headed “Business — Our Strategies ” in this prospectus, to enhance our overall competitiveness and to increase our market share in the future:

- We intend to expand our production capacity and our operations geographically
- We intend to strengthen and diversify our customer base
- We intend to strengthen our design and development capabilities

### SUMMARY OF COMBINED FINANCIAL INFORMATION

The following is a summary of our combined financial information as of and for the years/period ended 31 March 2013, 2014 and 2015 and 30 September 2015, extracted from the Accountant’s Report set out in Appendix I to this prospectus. The following summary should be read in conjunction with the audited combined financial information in Appendix I and the information set forth in “Financial Information” in this prospectus.

#### Summary Combined Income Statements

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000 (unaudited)	HK\$’000
Revenue	2,542,805	2,322,265	2,567,667	1,625,996	1,756,432
Cost of sales	<u>(1,895,031)</u>	<u>(1,768,285)</u>	<u>(1,994,299)</u>	<u>(1,266,859)</u>	<u>(1,396,923)</u>
<b>Gross profit</b>	647,774	553,980	573,368	359,137	359,509
Other income	27,405	24,419	20,617	10,641	7,664
Other gains/(losses), net <sup>(Note)</sup>	15,684	(58,221)	27,642	17,448	(2,153)
Selling and distribution expenses	(50,746)	(46,164)	(52,304)	(28,392)	(32,692)
General and administrative expenses	<u>(206,719)</u>	<u>(212,045)</u>	<u>(235,202)</u>	<u>(103,174)</u>	<u>(136,573)</u>
<b>Operating profit</b>	433,398	261,969	334,121	255,660	195,755
Finance expenses, net	<u>(18,930)</u>	<u>(15,919)</u>	<u>(20,236)</u>	<u>(10,314)</u>	<u>(15,283)</u>
<b>Profit before income tax</b>	414,468	246,050	313,885	245,346	180,472
Income tax expenses	<u>(46,070)</u>	<u>(26,682)</u>	<u>(40,539)</u>	<u>(29,781)</u>	<u>(25,042)</u>
<b>Profit for the year/period attributable to owners of our Company</b>	<u><u>368,398</u></u>	<u><u>219,368</u></u>	<u><u>273,346</u></u>	<u><u>215,565</u></u>	<u><u>155,430</u></u>

*Note:* Other gains and losses primarily consisted of (i) realised and unrealised gains or losses from derivative financial instruments; (ii) net gains on the disposals of available-for-sale financial assets; and (iii) net foreign exchange losses or gains.

## SUMMARY

The following table reconciles our profit before income tax under HKFRSs to our definition of EBITDA for the years/periods indicated.

### Adjusted EBITDA, adjusted operating profit and adjusted net profit

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	414,468	246,050	313,885	245,346	180,472
Finance expenses	19,565	16,888	21,992	10,657	15,643
Depreciation and amortisation	171,766	174,100	174,417	87,142	87,410
EBITDA	605,799	437,038	510,294	343,145	283,525
Add:					
Realised and unrealised (gains)/losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted EBITDA <sup>(Note)</sup>	591,792	486,922	485,433	323,535	310,764
Operating profit	433,398	261,969	334,121	255,660	195,755
Add:					
Realised and unrealised (gains)/ losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted operating profit <sup>(Note)</sup>	419,391	311,853	309,260	236,050	222,994
Profit for the year/period	368,398	219,368	273,346	215,565	155,430
Add:					
Realised and unrealised (gains)/ losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted net profit <sup>(Note)</sup>	354,391	269,252	248,485	195,955	182,669

*Note:* Please refer to section headed “Financial Information — Result of Operations” for the note to Adjusted EBITDA, Adjusted operating profit and Adjusted net profit.

## SUMMARY

### Summary Combined Balanced Sheets

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
<b>Assets</b>				
<b>Non-current assets</b>	1,119,484	983,093	1,116,085	1,027,587
Current assets	1,138,677	1,303,708	1,268,944	1,705,173
<b>Total assets</b>	<u>2,258,161</u>	<u>2,286,801</u>	<u>2,385,029</u>	<u>2,732,760</u>
<b>Total equity</b>	<u>1,144,409</u>	<u>1,168,546</u>	<u>1,121,335</u>	<u>1,110,976</u>
<b>Liabilities</b>				
Non-current liabilities	29,426	66,172	143,568	171,306
Current liabilities	1,084,326	1,052,083	1,120,126	1,450,478
<b>Total liabilities</b>	<u>1,113,752</u>	<u>1,118,255</u>	<u>1,263,694</u>	<u>1,621,784</u>
<b>Total equity and liabilities</b>	<u>2,258,161</u>	<u>2,286,801</u>	<u>2,385,029</u>	<u>2,732,760</u>
<b>Net current assets</b>	<u>54,351</u>	<u>251,625</u>	<u>148,818</u>	<u>254,695</u>
<b>Total assets less current liabilities</b>	<u>1,173,835</u>	<u>1,234,718</u>	<u>1,264,903</u>	<u>1,282,282</u>

### Summary Combined Cash Flow Statements

	Year ended 31 March			Six months
	2013	2014	2015	ended
	HK\$'000	HK\$'000	HK\$'000	30 September
				2015
				HK\$'000
Net cash generated from operation activities	563,817	431,224	511,441	80,937
Net cash used in investing activities	(376,614)	(147,592)	(204,619)	(216,519)
Net cash (used in)/generated from financing activities	(103,378)	(236,429)	(280,394)	186,135
Net increase in cash and cash equivalents	83,825	47,203	26,428	50,553
Cash and cash equivalents at beginning of the year/period	174,435	258,323	305,887	333,740
Exchange difference on cash and cash equivalents	63	361	1,425	(2,883)
<b>Cash and cash equivalents at the end of the year/period</b>	<u>258,323</u>	<u>305,887</u>	<u>333,740</u>	<u>381,410</u>

### *Our foreign exchange risk exposure*

During the Track Record Period, we generated over 90% of our revenue and trade receivables in US dollars, while over 30% of our costs (including cost of sales, selling and distribution expenses and general and administrative expenses) are denominated in RMB. If RMB had weakened/strengthened against US\$ by 5% compared with that at the balance sheet date, with all other variables held constant, for each of the three years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015, (i) our profit before tax would have been approximately HK\$26.5 million, HK\$28.3 million, HK\$24.0 million and HK\$18.4 million higher/lower respectively; (ii) our profit after tax would have been approximately HK\$23.6 million, HK\$25.2 million, HK\$20.9 million and HK\$15.8 million higher/lower respectively; and (iii) our gross profit would have been approximately HK\$20.3 million, HK\$22.2 million, HK\$17.5 million and HK\$14.1 million higher/lower respectively. So as to better manage our foreign currency exposures during the Track Record Period, we entered into derivative financial instruments to mitigate our exposures to RMB, HK\$ and US dollar. If the US dollar had weakened/strengthened against RMB at the date of settlement by 5% compared with that at the balance sheet date, with all other variables held



## SUMMARY

constant, the profit before tax for the year for each of the year ended 31 March 2013, 2014 and 2015 would have been approximately HK\$5.9 million/HK\$17.0 million, HK\$188.3 million/HK\$115.0 million, and HK\$67.8 million/HK\$41.2 million higher/lower respectively. We did not have outstanding forward foreign currency contracts as at 30 September 2015. We do not hedge more than 100% of our total revenue and ordinary production costs, mainly including raw material costs and labour costs. The amount and duration of each hedging arrangement should be made on a case by case basis after taking into consideration of a number of factors, including but not limited to the risk exposure, whether RMB is expected to depreciate or appreciate against US\$, the potential gain and loss of the hedging arrangement and the purchase cost of the hedging instruments. For each of the financial years ended 31 March 2013 and 31 March 2015, the realised and unrealised gains from derivative financial instruments accounted for approximately HK\$14.0 million and HK\$26.5 million respectively. We recorded a realised and unrealised loss from derivative financial instruments of approximately HK\$49.9 million for the year ended 31 March 2014. For the six months ended 30 September 2015, the net realised losses from these derivative financial instruments were approximately HK\$12.3 million.

For further details relating to our derivative financial instruments, please refer to the section headed “Summary — Recent Developments and No Material Adverse Change” and “Financial Information — Certain Items of Combined Balance Sheet — Derivative financial instruments” in this prospectus.

### KEY FINANCIAL RATIOS

The following table sets forth key financial ratios as of the dates or for the periods indicated. For further details of our key financial ratios, see “Financial Information — Key Financial Ratios”.

Financial Ratio	Formulae	As at and for the year ended 31 March			As at and for the six months ended
		2013	2014	2015	30 September 2015
<b>Liquidity ratios</b>					
(a) Current ratio	Total current assets/Total current liabilities	1.05	1.24	1.13	1.18
(b) Quick ratio	(Total current assets–inventories)/ Total current liabilities	0.58	0.73	0.71	0.93
<b>Capital adequacy ratios</b>					
(c) Gearing ratio	Total debt/ Total equity × 100%	65.5%	62.0%	80.9% <sup>(Note)</sup>	109.2% <sup>(Note)</sup>
(d) Net Debt-to-equity ratio	(Total borrowings–cash and cash equivalents)/Total equity × 100%	42.9%	35.9%	51.2%	74.9%
(e) Interest coverage	Profit before interest and tax/net interest expenses	22.9	16.5	16.5	12.8
<b>Profitability ratios</b>					
(f) Return on total assets	(Net profit/Total assets) × 100%	16.3%	9.6%	11.5%	11.4%
(g) Return on equity	(Net profit/Total equity) × 100%	32.2%	18.8%	24.4%	28.0%

*Note:* The increase in our gearing ratio as at 31 March 2015 as compared to 31 March 2014, and then further increased as at 30 September 2015 was primarily due to the increase in our total borrowings in line with the development of our Vietnam Factory during the year/period.

## SUMMARY

The following table sets out a breakdown of our sales from customers by geographical location of goods delivery for the years/periods indicated.

Revenue by location of goods delivery	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Japan	1,007,163	39.7	888,876	38.3	929,463	36.2	502,121	30.9	611,648	34.8
North America <sup>(1)</sup>	760,193	29.9	777,696	33.5	812,150	31.6	544,638	33.5	543,141	30.9
Europe	387,474	15.2	311,638	13.4	357,494	13.9	273,589	16.8	291,010	16.6
China	140,891	5.5	133,313	5.7	171,066	6.7	111,386	6.9	122,731	7.0
Other countries and regions <sup>(2)</sup>	247,084	9.7	210,742	9.1	297,494	11.6	194,262	11.9	187,902	10.7
<b>Total revenue</b>	<b>2,542,805</b>	<b>100.0</b>	<b>2,322,265</b>	<b>100.0</b>	<b>2,567,667</b>	<b>100.0</b>	<b>1,625,996</b>	<b>100.0</b>	<b>1,756,432</b>	<b>100.0</b>

*Notes:*

- (1) North America includes the United States and Canada. The revenue attributable to the US market accounted for 93.3%, 92.3%, 91.3% and 90.8% of the total revenue attributable to the North American market for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively.
- (2) Other countries and regions mainly include Australia, Korea, Hong Kong, Singapore, Taiwan and Mexico.

The following table sets forth a breakdown of our sales volume, average selling price, gross profit and gross profit margin by product category for the years/period indicated.

	Year ended 31 March								Six months ended 30 September							
	2013				2014				2015							
	Average sales quantities (thousand units)	Average selling price (HK\$)	Gross profit (HK\$'000)	Gross profit margin (%)	Average sales quantities (thousand units)	Average selling price (HK\$)	Gross profit (HK\$'000)	Gross profit margin (%)	Average sales quantities (thousand units)	Average selling price (HK\$)	Gross profit (HK\$'000)	Gross profit margin (%)				
Womenswear	19,625	80.5	425,199	26.9	18,730	81.9	388,368	25.3	18,203	86.8	372,217	23.6	11,123	90.8	215,777	21.4
Menswear	9,838	93.4	216,979	23.6	7,862	90.9	157,684	22.1	9,864	96.6	195,263	20.5	7,298	98.0	137,870	19.3
Other products	491	89.8	5,596	12.7	739	98.6	7,928	10.9	436	80.7	5,888	16.7	421	73.5	5,862	18.9
<b>Total gross profit</b>			<b>647,774</b>	<b>25.5</b>			<b>553,980</b>	<b>23.9</b>			<b>573,368</b>	<b>22.3</b>			<b>359,509</b>	<b>20.5</b>

The decrease in revenue by approximately 8.7% from the year ended 31 March 2013 to the year ended 31 March 2014 was primarily due to a decrease in our sales volume of womenswear and menswear as a result of sales orders usually placed by one of our top customers in the first quarter being actually placed in the second quarter of 2014. Our revenue increased by approximately 10.6% for the year ended 31 March 2014 to the year ended 31 March 2015 which was primarily attributable to the increases in the average selling price of womenswear and menswear. The increase in average selling price was due to the increase in sales orders at a higher selling price placed by certain of our top customers for products with higher technical requirements and more complex design. Our revenue increased by approximately 8.0%, or HK\$130.4 million for the six months ended 30 September 2015 as compared to the six months ended 30 September 2014 which was primarily attributable to the increase in the sales volume in all categories of our products, in particular in womenswear.

Our gross profit margins for womenswear and menswear slightly decreased in the year ended 31 March 2014 as compared to 31 March 2013 primarily due to an increase in our production costs which we were unable to fully pass onto our customers, and gross profit margins were further decreased in 31 March 2015 primarily due to an increase in our cost of raw materials. We believe that our suppliers had increased such costs due to their labour costs, as opposed to the cost of

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## SUMMARY

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cotton or wool. Our gross profit margin for womenswear and menswear slightly decreased in the six months ended 30 September 2015 as compared to the six months ended 30 September 2014 which was primarily due to the increased cost of sales, in particular, the increase in direct labour cost resulting from (i) the increased number of staff for the ramp up of our Vietnam Factory and the training required for them to improve their efficiency in production; (ii) annual salary increment of our manufacturing staff in our PRC Factory; and (iii) the increased working time to meet the increased sales orders for our products during the peak season. Our gross profit margins for other products slightly decreased in 31 March 2014 as compared to 31 March 2013, and was then increased in 31 March 2015 primarily due to a change of product mix. For the same reason, our gross profit margin for other products had also increased in the six months ended 30 September 2015 as compared to the six months ended 30 September 2014.

Our net profit decreased in the year ended 31 March 2014 as compared to 31 March 2013, primarily due to the combined effect of our decreased gross profit during the year and a provision made in 2014 for unrealised losses from derivative financial instruments in light of the RMB depreciation for the year ended 31 March 2014. Our net profit increased in 31 March 2015 as compared to 31 March 2014 which was primarily due to the reversal of such provision made in 2014. Our net profit decreased for the six months ended 30 September 2015 as compared to the six months ended 30 September 2014 which was primarily due to the decrease in gross profit margin for the reasons stated above, the increase in general and administrative expenses, in particular, the legal and professional parties' fees incurred for the Listing and the realised losses incurred from derivative financial instruments whilst a gain was recognised from such derivative financial instruments for the six months ended 30 September 2014.

### SHAREHOLDING STRUCTURE

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account of any options that may be granted under the Share Option Schemes), Nameson Investments will directly hold 1,500,000,000 Shares, representing 75% of the enlarged issued share capital of our Company.

Nameson Investments is a wholly owned subsidiary of Happy Family BVI, whose entire issued share capital is held by East Asia International Trustees Limited, the trustee of the Happy Family Trust. Pursuant to the trust deed establishing the Happy Family Trust, Mr. Wong Ting Chung is the settlor and protector of the Happy Family Trust for the benefit of Mr. Wong Ting Chung and certain family members. Pursuant to certain confirmation and undertaking, Mr. Wong Ting Chung agreed that notwithstanding the terms of the trust deed, he shall prior to making any directions to the trustee in relation to Shares held under the trust, consult and/or agree with Mr. Wong Ting Chun and Mr. Wong Ting Kau the terms of such directions.

As such, Happy Family BVI and Nameson Investments will together be entitled to directly or indirectly exercise or control the exercise of 75% of the voting rights at the general meeting of our Company immediately following completion of the Global Offering and the Capitalisation Issue. Accordingly, we consider Happy Family BVI, Nameson Investments, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun as our Controlling Shareholders for the purpose of the Listing Rules.

### LISTING EXPENSES

Assuming an Offer Price of HK\$1.18 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing related expenses in relation to the Global Offering is approximately HK\$50.1 million, without taking into account any additional discretionary incentive fees, of which approximately HK\$16.5 million were charged to our income statements and approximately HK\$4.5 million as deferred listing expenses during the Track Record Period. For the remaining expenses, we expect to charge approximately HK\$11.5 million to our income statements and the balance of approximately HK\$17.6 million to be capitalised.

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## SUMMARY

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### OFFERING STATISTICS

Offer size:	Initially 25% of the enlarged issued share capital of our Company
Offering structure:	Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK\$1.03 to HK\$1.33 per Offer Share

All statistics in the following table are based on the assumptions that (i) the Capitalization Issue and the Global Offering have been completed and 500,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (ii) no Shares have been issued pursuant to the Share Option Scheme; and (iv) 2,000,000,000 Shares are issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

	Based on an Offer Price of HK\$1.03 per Offer Share	Based on an Offer Price of HK\$1.33 per Offer Share
Our Company's market capitalisation upon completion of the Global Offering	HK\$2,060 million	HK\$2,660 million
Unaudited pro forma adjusted net tangible asset per Share	HK\$0.53	HK\$0.60

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$539.9 million, after deducting the total estimated listing related expenses payable by us in the Global Offering, without taking into account any discretionary incentive fee, and assuming the Over-allotment Option is not exercised at an Offer Price of HK\$1.18 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 30% (approximately HK\$162.0 million) will be used for the construction of the second phase of our Vietnam Factory. We have commenced construction of the second phase of our Vietnam Factory and expect the construction to be completed in the first half of 2016. Production is expected to commence thereafter. We estimate that the construction will cost approximately HK\$281.9 million with HK\$141.0 million to be spent during the financial year ending 31 March 2016 and the remaining HK\$140.9 million to be spent during the financial year ending 31 March 2017;
- approximately 25% (approximately HK\$134.9 million) will be used for the purchase of approximately 1,300 of machines for the second phase of our Vietnam Factory with expected designed annual production capacity of approximately 12.6 million units of knitwear. We estimate that these machines will cost approximately HK\$218.1 million with deposits and instalments under the related finance leases becoming payable over the next five years;
- approximately 15% (approximately HK\$81.0 million) will be used to repay part of our outstanding bank loans with maturity dates in June and August 2017 respectively;
- approximately 10% (approximately HK\$54.0 million) will be used for enhancing design and product development capabilities by (i) employing additional experienced and reputable designers, (ii) enhancing communication with customers by market research analysis, (iii) purchasing additional computer design systems; and (iv) continuing to invest in research and development of new production technology, materials and samples;

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## SUMMARY

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- approximately 10% (approximately HK\$54.0 million) will be used for enhancing the existing enterprise resource planning system by (i) purchasing additional computerized system and upgrading our existing hardware and servers; and (ii) arranging on-the-job training to the information technology department and operational staff and management; and
- approximately 10% (approximately HK\$54.0 million) will be used for working capital and general corporate purposes.

For further details, please see the section headed “Future Plans and Use of Proceeds” in this prospectus, for information relating to our future plan and the use of proceeds from the Global Offering, including the adjustment on the allocation of the proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

### **RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE**

During the nine months ended 31 December 2015, we have sold approximately 25.9 million units and 1.6 million units of knitwear that were produced in our PRC Factory and the first phase of our Vietnam Factory respectively.

We have commenced construction of the second phase of our Vietnam Factory and the related construction costs incurred by us were approximately HK\$116.1 million as at the Latest Practicable Date. The construction of the second phase of our Vietnam Factory is expected to be completed in the first half of 2016 and production is expected to commence thereafter. The total capital expenditure for the second phase of the Vietnam Factory is approximately HK\$500 million. We expect to finance this construction project with cash generated from operating activities and expected net proceeds from the Global Offering and bank and other borrowings.

Due to the depreciation of RMB against the US dollar by almost 2% by the People’s Bank of China’s in early August 2015, we decided to unwind all of our outstanding forward foreign currency contracts so as to crystallise our exposures and avoid the risk of potential additional losses. By 30 September 2015, we had settled or unwound all of our outstanding forward foreign currency contracts. For the six months ended 30 September 2015, the net realised losses from these outstanding forward foreign currency contracts were approximately HK\$12.3 million. As at the Latest Practicable Date, there were no outstanding forward foreign currency contracts.

Our Directors confirm that there has been no material adverse change in our financial condition or trading position since 30 September 2015, being the date to which our latest audited combined financial results were prepared, as set out in “Appendix I — Accountant’s Report” and up to the date of this prospectus. As far as our Directors are aware, there was no material change in the general economic or market condition or development (including but not limited to, the recent increase in interest rates in the US) or other events which would have a material and adverse impact on our business operations or financial or trading condition since 30 September 2015 and up to the date of this prospectus.

### **DIVIDEND AND DISTRIBUTION POLICY**

For each of the years ended 31 March 2013, 2014 and 2015, we declared dividends in the amount of approximately HK\$200.0 million, HK\$200.0 million, HK\$ 427.0 million respectively to our then shareholders, all of which were paid as at 31 March 2015. For the six months ended 30 September 2015, we declared a dividend in the amount of approximately HK\$120 million to our then shareholders, all of which has been settled and funded by our internal resources. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

Future dividend payments will depend upon the availability of dividends received from all of our subsidiaries, which, as at the Latest Practicable Date, comprise companies in Hong Kong, the PRC and Vietnam. Hong Kong law requires a company to have sufficient legally available reserves

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## SUMMARY

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before distributing a dividend. In general, this means that a Hong Kong company can only declare dividends from realised profits and subject further, to there not being accumulated losses. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Our subsidiary in Vietnam may only distribute dividends if (i) it generates profit and has fulfilled its tax and other financial obligations; and (ii) it has no accumulated losses from previous years after such losses have been carried forward in accordance with the law. Distributions from our subsidiary companies may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders at least 35% of any distributable profit.

For further details relating our dividends and distribution policy, please refer to the section headed “Financial Information — Dividends and Distribution Policy” in this prospectus.

### **RISK FACTORS**

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to conducting business in Vietnam; and (v) risks relating to the Global Offering and our Shares. For example, we rely on several major customers and generally do not enter into long-term contracts with our customers which may materially and adversely affect our business, prospects, financial condition and results of operation. In addition, our future expansion plans are subject to uncertainties and risks which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed “Risk Factors” in this prospectus. You should read the whole section carefully before you decide to invest in our Offer Shares.

### **NON-COMPLIANCE**

During the Track Record Period, we have not complied with certain statutory and regulatory requirements. Certain of these non-compliance incidents include material non-compliances and non-material but systemic non-compliance as follows:

- we breached the relevant requirements for making contributions to the social insurance plans and housing provident fund for our employees under the relevant PRC laws and regulations;
- our Vietnam subsidiary had failed to obtain certain certifications for the purpose of satisfying approvals required in connection with the environmental impact assessment report; and
- certain of our Hong Kong subsidiaries had failed to lay their respective audited financial statements before their annual general meetings under Section 122 of the Predecessor Companies Ordinance.

For further details, please refer to the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus.



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## DEFINITIONS

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

“Accountant’s Report”	the accountant’s report of PricewaterhouseCoopers addressed to the Company and the Sole Sponsor and set out in Appendix I to this prospectus
“affiliate”	any person, directly or indirectly, controlling or controlled by or under direct or indirect or common control with a specified person
“Application Form(s)”	WHITE, GREEN and YELLOW application form(s) or, where the context requires, any of them relating to the Global Offering
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 29 January 2016 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Audit Committee”	the audit committee of our Board
“Board of Directors” or “Board” or “our Board”	our board of Directors
“Bonny”	Bonny Limited (邦彦有限公司), a limited liability company incorporated in Hong Kong on 28 April 2005 and an indirect wholly owned subsidiary of our Company
“Business Day”	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company described in the section headed “Statutory and General Information” set out in Appendix V to this prospectus



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## DEFINITIONS

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“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 a 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
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Chinese Government” or “PRC Government”	the government of the PRC, including the central government and all governmental and political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, as the context requires, any one or more of them
“Company” or “our Company”	Nameson Holdings Limited (南旋控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 11 August 2015, and except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“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, supplemented or otherwise modified from time to time)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purposes of this prospectus and the Listing, means Happy Family BVI, Nameson Investments, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun
“Deed of Non-Competition”	the deed of non-competition dated 24 March 2016 made by our Controlling Shareholders in favour of our Company
“Deed of Indemnity”	the deed of indemnity dated 24 March 2016 made by our Controlling Shareholders in favour of our Company
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT Law”	has the meaning given to it under the section headed “Regulatory Overview” in this prospectus
“Euromonitor”	Euromonitor International Limited, an Independent Third Party, which is a market research company with a focus on industry, country, company and consumer lifestyle research
“Euromonitor Report”	an industry research report issued by Euromonitor as commissioned by the Company as referred in the section headed “Industry Overview” in this prospectus
“Excluded Businesses”	has the meaning given to it under the section headed “Relationship with Controlling Shareholders” in this prospectus
“Excluded Group”	has the meaning given to it under the section headed “Relationship with Controlling Shareholders” in this prospectus
“First Team (HK)”	First Team (HK) Limited (創匯添(香港)有限公司), a limited liability company incorporated in Hong Kong on 6 May 2005 and an indirect wholly-owned subsidiary of our Company
“First Team (Vietnam)”	First Team (Vietnam) Garment Limited, a limited liability company established in Vietnam on 14 March 2014 and an indirect wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering

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## DEFINITIONS

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“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“Hanyi Investments”	Hanyi Investments Limited (漢逸投資有限公司), a limited liability company incorporated in the BVI with limited liability on 6 July 2015 and wholly owned by Winnermax
“Happy Family BVI”	Happy Family Assets Limited (庭槐資產有限公司), a limited liability company incorporated in the BVI on 23 February 2015 and is wholly-owned by East Asia International Trustees Limited. Happy Family BVI is one of our Controlling Shareholders
“Happy Family Trust”	a trust established on 1 June 2015 by Mr. Wong Ting Chung (as the settlor) and East Asia International Trustees Limited, an independent trustee incorporated in the BVI (as the trustee), for the benefit of certain family members of Mr. Wong Ting Chung
“HK\$” or “HK dollars” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, as issued from time to time by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in “Structure of the Global Offering” at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Hong Kong Public Offer Shares”	the 50,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offer Underwriters”	the underwriters of the Hong Kong Public Offering led by the Sole Global Coordinator and expected to enter into the Hong Kong Public Offer Underwriting Agreement to underwrite the Hong Kong Public Offering, named in the section headed “Underwriting — Hong Kong Public Offer Underwriters” in this prospectus
“Hong Kong Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 March 2016 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Public Offer Underwriters
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Huizhou Jiaming”	Huizhou Jiaming Knitting Factory Limited* (惠州嘉明毛織廠有限公司), a limited liability company established in the PRC on 1 August 2001 and an indirect wholly-owned subsidiary of our Company
“Huizhou Lihao”	Huizhou Lihao Fashion Limited* (惠州力豪服裝有限公司), a limited liability company established in the PRC on 15 May 2002 and an indirect wholly-owned subsidiary of our Company
“Huizhou Liyun”	Huizhou Liyun Knitting Factory Limited* (惠州力運織造廠有限公司), a limited liability company established in the PRC on 27 September 2002 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Independent Third Party”	a party which is independent of and not connected with any of our Directors, substantial shareholders or chief executives of our Company or our subsidiaries or their respective associates and is not otherwise a connected person already defined of our Company
“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in “Structure of the Global Offering” on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Offer Shares”	the 450,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the International Offering subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Offering and to be entered into by, among others, our Company and the International Underwriters on or about the date of the Price Determination Agreement
“Japanese Yen” or “JPY”	Japanese Yen, the lawful currency of Japan
“Kingmax Industrial”	Kingmax Industrial Limited (嘉明實業有限公司), a limited liability company incorporated in Hong Kong on 13 July 1998 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 March 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange

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## DEFINITIONS

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“Listing Date”	the date expected to be on Tuesday, 12 April 2016, on which the Shares are listed and from which dealings therein 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 of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, adopted at the time of incorporation, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nameson BVI”	Nameson Holdings Limited, a limited liability company incorporated in the BVI on 10 September 2004 and owned by Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing Raymond and Ms. Wong Wai Ling as to 20%, 20%, 20%, 20%, 10% and 10%, respectively
“Nameson Group”	Nameson Group Limited (南旋集團有限公司), a limited liability company incorporated in the BVI on 10 September 2004 and a direct wholly-owned subsidiary of our Company
“Nameson Industrial”	Nameson Industrial Limited (南旋實業有限公司), a limited liability company incorporated in Hong Kong on 25 May 1990 and an indirect wholly-owned subsidiary of our Company
“Nameson Investments”	Nameson Investments Limited (南旋投資有限公司), a limited liability company incorporated in the BVI on 18 February 2015 and a direct wholly-owned subsidiary of Happy Family BVI, whose entire issued share capital is held by East Asia International Trustees Limited. Nameson Investments is one of our Controlling Shareholders
“Nanguan Knitting”	Huizhou Nanguan Knitting Factory* (惠州市南冠織造廠), an enterprise established in the PRC on 3 April 2006 and an indirect wholly owned subsidiary of our Company

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## DEFINITIONS

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“Nanxuan Knitting”	Huizhou Nanxuan Knitting Factory Limited* (惠州南旋毛織廠有限公司), a limited liability company established in the PRC on 8 December 2000 and an indirect wholly owned subsidiary of our Company
“OEM”	original equipment manufacturer, a manufacturer who involves the production of products for customers under the customers’ brand names
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK\$1.33 and is expected to be not less than HK\$1.03, to be determined as described in the section headed “Structure of the Global Offering — Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which our Company may be required to allot and issue the Over-allotment Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering
“Over-allotment Shares”	up to 75,000,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“PRC Factory”	the factory blocks and production units located in Huicheng District, Huizhou, Guangdong Province, the PRC, including Nanguan Knitting, details of which are set out in Appendix III in this prospectus



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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or about the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 6 April 2016 (Hong Kong time), when the Offer Price is determined and in any event no later than Sunday, 10 April 2016
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the corporate reorganisation of the companies within our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of China
“SAFE”	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), the PRC Governmental agency responsible for matters relating to foreign exchange administration
“SARS”	severe acute respiratory syndrome, a viral respiratory disease
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Senico Apparel”	Senico Apparel Limited (誠豪服裝有限公司), a limited liability company incorporated in Hong Kong on 6 March 2015 and an indirect wholly-owned subsidiary of our Company
“Senico Industrial”	Senico Industrial Limited (誠豪實業有限公司), a limited liability company incorporated in Hong Kong on 5 January 2000 and an indirect wholly-owned subsidiary of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of Shares

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## DEFINITIONS

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“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 29 January 2016, the principal terms of which are summarised in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix V to this prospectus
“Sole Sponsor”	CITIC CLSA Capital Markets Limited
“Sole Global Coordinator” or “Sole Bookrunner”	CLSA Limited
“South Crown”	South Crown (H.K.) Limited (南冠(香港)有限公司), a limited liability company incorporated in Hong Kong on 21 April 2005 and an indirect wholly-owned subsidiary of our Company
“Stabilisation Manager”	CLSA Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Happy Family BVI, Nameson Investments, Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun and the Stabilising Manager (or its agents) on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Testing Centre”	the testing centre certified by SGS, an independent consultant, located in our PRC Factory whereby internal quality tests on our yarn and knitwear products in accordance with international standard are conducted
“Track Record Period”	the period comprising the three financial years ended 31 March 2013, 2014 and 2015 respectively and the six months ended 30 September 2015
“Underwriters”	the International Underwriters and the Hong Kong Public Offer Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Public Offer Underwriting Agreement
“United States” or “US”	the United States of America and its territories
“US Securities Act”	the United States Securities Act of 1933 (as amended)

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## DEFINITIONS

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“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Vietnam”	the Socialist Republic of Vietnam
“Vietnamese Dong” or “VND”	Vietnamese dong, the lawful currency of Vietnam
“Vietnam Factory”	the first phase and the second phase of the factory buildings/ blocks and production units located in Thanh Thanh Cong Industrial Zone, Trang Bang District, Tay Ninh Province, Vietnam, as the context requires, anyone or both of them
“Vietnamese Government”	the central government of Vietnam, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“WHITE Application Form(s)”	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicants’ own name
“White Form eIPO”	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Winnermax”	Winnermax Management Limited (恒威管理有限公司), a limited liability company incorporated in the BVI on 12 March 2015 and wholly owned by Happy Family BVI
“Winner Way”	Winner Way Industrial Limited (力運實業有限公司), a limited liability company incorporated in Hong Kong on 3 September 1996 and an indirect wholly-owned subsidiary of our Company
“WTO”	World Trade Organisation
“YELLOW Application Form(s)”	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“%”	percent

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## DEFINITIONS

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

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

For ease of reference, the names of companies and entities established in China have been included in this prospectus in English by way of translation if such Chinese entities do not have an English name as part of their legal name, and if there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translations, the Chinese version shall prevail. English translations of company names in Chinese or other language which are marked with “\*” and Chinese translations of company names in English which are marked with “\*” are for identification purposes only.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation, the discussion of our business strategies and expectation concerning future operations, margins, profitability, liquidity and capital resources, future developments of our industry and the future development of the general economy of our key markets and any statements preceded by, followed by or that include words and expressions such as “expect”, “seek”, “believe”, “plan”, “intend”, “estimate”, “project”, “anticipate”, “may”, “will”, “would” and “could” or similar words or statements, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on many assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflect our current views on future events and are not a guarantee of our future performance. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments 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 out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate and consider the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Investors should also pay particular attention to the fact that our Company is incorporated in the Cayman Islands and that most of our operations are conducted in the PRC and Vietnam and are governed by legal and regulatory environments which in some respects may differ from that which prevail in other countries. The business, financial condition and results of our operations or prospects could be adversely and materially affected by such risks and uncertainties. The trading price of the Shares could decline due to any of these risks and investors may lose all or part of their investment.*

Our operation results are mainly subject to several risk factors which can be categorised into the following areas: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to conducting business in Vietnam; and (v) risks relating to the Global Offering and our Shares, and are summarised below:

### **RISKS RELATING TO OUR BUSINESS**

**We rely on several major customers and generally do not enter into long-term contracts with our customers. This may materially and adversely affect our business, prospects, financial condition and results of operations**

Our five largest customers, all being Independent Third Parties, are well-recognised apparel brand owners mainly located in Japan, the US and Europe. Together, they accounted for approximately 95.3%, 93.1%, 92.3% and 91.9% respectively of our revenue for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 and our largest customer accounted for approximately 54.8%, 50.0%, 52.3% and 49.8% respectively of our revenue for the corresponding years/period.

We have developed business relationships with our five largest customers for a period ranging from eight to 20 years as at the Latest Practicable Date. We only enter into short-term purchase orders instead of long-term sales contracts with our customers. Although our Directors consider that we have established good relationships with our major customers, if our customers decide not to purchase any products from us, change any of their suppliers or propose new terms of sales unacceptable to us, change their business models, or terminate their respective relationships with us at any time in the future, our sales may decline if we are unable to find alternative purchasers in a timely manner. In that event, our business, prospects, financial condition and results of operations may be materially and adversely affected.



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## RISK FACTORS

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**Our future expansion plans are subject to uncertainties and risks which may materially and adversely affect our business, financial condition, results of operations and growth prospects**

We have set out our future plans in the section headed “Business — Our Strategies” in this prospectus. The implementation of these future plans requires us to effectively and efficiently manage our sales, marketing, procurement, construction and other aspects of our operations. If we fail to effectively and efficiently implement our future plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our future plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our future plans, such as the changes in our ability to comply with, and related costs of, environmental laws, rules and regulations, delays in obtaining the necessary licences and approvals from the government. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if our future plans fail to achieve positive results.

We have commenced construction of the second phase of our Vietnam Factory and the construction is expected to be completed by first half of 2016 with operations expected to commence thereafter. For details, please refer to the section headed “Business — Our Strategies — We intend to expand our production capacity and our operations geographically” in this prospectus. However, we cannot assure you that this new factory will be completed on time, or at all. If we are unable to obtain government approvals for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to complete the new factory on time. In that event, our business, prospects and growth strategies would be materially and adversely affected.

**Any labour shortages, increased labour costs or other factors affecting labour supply for our production may materially and adversely affect our business, financial condition, results of operations and prospects**

Although our production of knitwear products is capital intensive as it is highly mechanised and automated, we, to a significant extent, rely on skilled workers especially in the process of linking, stitching and inspection. Our performance relies on the steady supply of relatively low cost labour in Vietnam and the PRC. Our direct labour costs, excluding Directors’ remuneration, accounted for approximately 16.3%, 17.5%, 16.9% and 18.5% of the total cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. There is no guarantee that our supply of labour will not be disrupted or that our labour costs will not increase. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate sudden increases in demand for our products or our expansion plans.

Labour costs are basically affected by the demand for and supply of labour and economic factors including the inflation rate and standard of living. Labour costs may further increase in the future due to a shortage of skilled labour and growing industry demands for skilled workers. For details relating to the trends of labour costs in the jurisdictions we operate in, please refer to the section headed “Industry Overview — Raw Materials Prices and Labour Costs” in this prospectus.

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## RISK FACTORS

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The failure to identify and recruit replacement staff immediately following the unexpected loss of skilled workers could reduce our competitiveness and have a material and adverse effect on our business and operations. In addition, we expect continued increases in labour costs in the PRC as well as the minimum wage requirements in Vietnam and other markets where we currently operate. Although we pay our employees more than the minimum wage requirements in Vietnam, any further increase in minimum wage requirements may increase competition for qualified labour, which may indirectly result in further increases to our labour costs. In these circumstances, we may not be able to increase the prices of our products to customers and if we fail to pass on all or part of these increased labour costs to our customers, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Further, there may be labour disputes, work stoppages or strikes in the future. All of our labour in Vietnam is represented by a trade union duly set up in October 2014. We have entered into a collective labour agreement with such labour union, which is subject to periodic renegotiation. We may not be able to successfully conclude the renegotiation of our collective labour agreements on satisfactory terms, which may result in a significant increase in the costs of labour or may result in work stoppages or labour disputes. Increases in our labour costs and future disputes with our workers may materially and adversely affect our business, financial condition, results of operations and prospects.

**Our failure to maintain an effective quality control system may result in a material adverse effect on our business, reputation, financial condition and results of operation**

The performance and quality of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control system, which in turn, depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. We are subject to various codes of conduct of certain of our customers relating to occupational health and safety and environmental conditions, and our customers require us to implement an internal quality control system in order to ensure that the requirements as stipulated in their respective codes of conduct have been complied with. For details of our quality control and the codes of conduct of some of our major customers, please refer to the section headed “Business — Quality Control” in this prospectus. We cannot assure you that our quality control system will continue to be effective and in compliant with the respective codes of conduct of our customers. Any significant failure in or deterioration of the efficacy of our quality control systems could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, reputation, financial condition and results of operation.

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## RISK FACTORS

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**We have engaged subcontractors in our manufacturing process and our business, reputation, financial condition and results of operations may be materially and adversely affected by the performance of or disruption in supply from our subcontractors**

During the Track Record Period, we outsourced parts of the production process of our products to third-party subcontractors with factories in the PRC mainly to supplement our capacity during the peak season. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our subcontracting expenses incurred represented approximately 20.9%, 18.4%, 17.4% and 16.9% respectively of our total cost of sales. For details, please refer to the section headed “Business — Procurement — Subcontractors” in this prospectus. However, the products processed by any of our subcontractors may not be delivered to us in a timely manner or of satisfactory quality. If our subcontractors do not perform satisfactorily, decide to substantially reduce the production capacity allocated to us, substantially increase the prices of their services or terminate their business relationships with us, we may need to replace our subcontractors or take other remedial actions which could increase our costs of operations. We also provide raw materials to our subcontractors for their production of our knitwear products. As we do not have direct control over our subcontractors, if they become involved in the unauthorised production of products, whether it be by using raw materials which are not provided by us or otherwise not complying with our requirements or that of our customers, the quality of our knitwear products will be affected and, in turn, this may materially and adversely affect our business, reputation, financial condition and results of operations.

**Failure and/or delays in deliveries could materially and adversely affect our business, reputation, financial condition and results of operations**

We coordinate logistics to deliver finished products from our production factories to the designated ports of shipment or forwarders of our customers. Delivery disruptions to transport operators may occur due to reasons beyond our control, including transportation bottlenecks, typhoons, floods, earthquakes and other natural disasters and labour strikes, and could lead to delayed or lost deliveries. In addition, our products may be subject to theft or damage by third parties. If our products are not delivered to our customers on time, or are damaged or lost during delivery, we may have to pay compensation to the third parties and could lose certain customers. In that event, our business, reputation, financial condition and results of operations could be materially and adversely affected.

**Our business, financial condition and results of operations may be materially and adversely affected in the event of fire, breakdown, failure of our equipment and machinery, power shortage, labour strikes, acts of war, political unrest, outbreak of a contagious or epidemic disease and natural disasters**

Our revenue is dependent on the uninterrupted operation of our production facilities. Our production facilities are located in the PRC and Vietnam. Our business operations are subject to risks beyond our control including, among others, fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, labour strikes, acts of war, political unrest and outbreak of a contagious or epidemic disease and natural disasters. Any or a combination of these

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## RISK FACTORS

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could cause material damage to, or the loss of, our operational facilities. For example, in 2003, certain Asian countries and regions, including the PRC and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. More recently, the Ebola virus has caused thousands of casualties in African countries and Middle East Respiratory Syndrome (MERS), another highly contagious form of atypical pneumonia, has spread in the Middle East and South Korea. A recurrence of SARS, influenza A (H1N1) or avian flu (H5N1) in the PRC or any other parts of the world as well as the continuing spread of Ebola and MERS may cause disruption of regional or national economic activity, which can affect consumer activities in the affected areas and, therefore, reduce demand for our products. Such events may also result in limitations on our ability to travel, delays in transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our production facilities for quarantine or for preventive purposes. The time required to rectify such problems could be lengthy, and could result in significant increases in costs or reduction in sales. Frequent or prolonged occurrences of any of the aforesaid events may have a material and adverse effect on our business, financial condition and results of operations.

In addition, several countries in Asia or the Asia Pacific reported earthquakes recently. Past occurrences of tsunamis or earthquakes have caused different degrees of damage to national and global economies. The global economy may also be adversely affected if the situation exacerbates. The occurrence of any natural disasters may also materially and adversely affect our business, financial condition and results of operation.

As at the Latest Practicable Date, we maintain insurance policies covering risks in respect of buildings in our production facilities, equipment and machinery used in our operations, our products and our employees. There is no assurance that our insurance coverage would be sufficient to cover any or all of our potential losses. For further details on the insurance policies we maintain, please refer to the section headed “Business — Insurance” in this prospectus. In the event that our insurance policies do not or cannot sufficiently compensate for the losses we sustain, we would have to pay for the difference ourselves and our business, financial condition and results of operations may be materially and adversely affected.

**Our success depends upon our key management personnel. Our inability to attract, retain and motivate qualified personnel could materially and adversely affect our business, results of operations and prospects**

Our Directors believe that our success depends, to a significant extent, on the capability, expertise and continued services of our senior management team members, including our executive Directors and other members of our management who have operational experience in the knitwear business. In particular, we rely on Mr. Wong Ting Chung, one of our founders, our chairman, our chief executive officer and an executive Director, who has over 30 years of experience in the knitwear industry. For details of their expertise and experience, please refer to section headed “Directors and Senior Management” in this prospectus. If Mr. Wong Ting Chung or any other of our senior management team members is unable or unwilling to continue in their present positions,

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we may not be able to identify and recruit replacements in a timely manner or at an acceptable cost, or at all, and the implementation of our business strategies may be affected which could materially and adversely affect our business, results of operations and prospects.

We also rely on our employees, who include experienced design and product development, sales and merchandising personnel, for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our business, results of operations and prospects could be materially and adversely affected.

**Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations**

Our raw materials mainly comprise yarn and other accessories such as buttons and zippers. The purchase of yarn accounted for a substantial amount of our total cost of sales, representing approximately 44.7%, 34.5%, 40.7% and 42.7% of our total cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively.

The price of cotton and wool, being the major components of the yarn which we purchase, have been and can be volatile. The prices of cotton and wool are affected by factors such as weather, industry demand and supply. For details, please refer to the section headed “Financial Information — Sensitivity Analyses” in this prospectus. During the Track Record Period, we did not undertake any hedging activities or any other strategy to minimise our exposure to the possible price fluctuation of raw materials. However, we cannot assure you that we can fully pass on the cost of increase in raw materials to our customers. Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operations.

**Change in product mix sold and pricing of our knitwear products may adversely and materially affect our business, financial condition and results of operations**

Our results of operations are affected by the product mix sold and pricing of our knitwear products, which, in turn, are determined by factors such as prevailing market conditions, our customers’ brand positioning, product design, cost of raw materials, production costs as well as competition.

Our knitwear products during the Track Record Period varied, in terms of materials and style, in response to changing fashion trends and market preferences. This has resulted in a range of gross profit margins, level of demand and corresponding selling prices. For example, the gross profit margin of our womenswear was generally higher than the gross profit margin of menswear products and other products during the Track Record Period. Our sales are, to a certain extent, driven by the fashion trends. Our business, financial condition and results of operations may be adversely and materially affected by our inability to adjust product mix in response to changing fashion trends and market preferences.

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In addition, given that we principally manufacture knitwear products according to our customers' specifications, there is no standard selling price for each of our knitwear products. The average unit selling price of our knitwear products is affected by a number of factors, including but not limited to, (i) the average unit purchase prices of raw materials including yarn; (ii) the production costs including the subcontracting charges; and (iii) the technical requirements of the products such as density, weight, types and amount of yarn utilised as required by our customers. If our customer requires more types of yarn or a certain specific yarn or have higher technical requirements such as higher density, heavier weight and dyeing, additional effort may be needed to source such yarn and additional time may be required for conducting research on manufacturing processes which most optimally suit the required knitwear product, depending on its complexity and technical requirement. Hence, instead of simply adding up the cost of requisite raw materials and passing them to our customers, we may charge an additional gross profit margin on such products based on our negotiation with our customers and the sales volume of the knitwear products required. As such, the fluctuation in the gross profit margin of our knitwear products also depends on the proportion of the sales of knitwear products with relatively higher technical requirements.

Any failure on our part to continue to monitor and optimise our product mix and pricing in response to changes in market conditions, consumer preferences and fashion trends, may adversely and materially affect our business, financial condition and results of operations.

**Our business, financial condition and results of operations may be materially and adversely affected by seasonality and global climate changes**

Demand for our knitwear products is seasonal. As demand for knitwear products is generally higher in the fall and winter seasons, we receive a greater number of orders during the period from May to November, which is our peak season, and a relatively lower number of orders during the period from December to April. These seasonality fluctuations may affect our production costs and the utilisation rate of our production facilities. Our operating results for our peak periods should not be taken as an indication of our performance for the entire financial year. Hence, prospective investors should be aware of these seasonal fluctuations when making any comparison of our operating results. Other than seasonality, any unexpected and abnormal changes in climate may affect the sales of our products which, in turn, may materially and adversely affect our business, financial condition and results of operation.

**Our design and development of new knitwear designs and new blending of yarn may fail to achieve our desired results and, in those circumstances, our business, financial condition, and prospects may be materially and adversely affected**

The success of our business is dependent upon, among other things, our ability to continuously develop, in a timely fashion, new products through our design and development to meet our customers' requirements, introduce new knitwear design and innovative blending of yarn to cater to our customers' preferences and enhance our competitiveness in the future. We plan to further leverage our competitive strengths in our design and development capabilities and enhance our innovation in knitwear design and blending of yarn capabilities. Our established design and



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development team and advanced system and technology for conducting our design and development on our knitwear products and blending of yarn underpin our efforts in this respect. For more details, please refer to the section headed “Business — Design and Development” in this prospectus.

Our design and development of new knitwear design and new blending of yarn take up considerable time and financial commitment that may impose a substantial strain on our ability to manage our existing business and operations. We cannot assure you that our product development and research efforts will result in the development of popular knitwear designs or innovative blending of yarn or will be completed in the desired time or will have the desired results. In addition, we cannot assure you that we possess, or will acquire, sufficient capabilities in designing and developing the new knitwear design and new blending of yarn. If we fail to achieve successful results in our design and development efforts, or if customer demand for our new products falls short of our expectations, our time and resources could be wasted which may materially and adversely affect our business, financial condition and prospects.

**Our ability to obtain additional funding may be limited which could have a material adverse effect on our business, financial condition, results of operations and prospects**

We have historically financed our operations through bank borrowings and internal resources. As of 31 January 2016, we had cash and cash equivalents of HK\$456.5 million to fund our future working capital, capital expenditure and other cash requirements.

Our future cash requirements will depend on many factors, including our operating income and capital expenditures on the expansion of our Vietnam Factory. Our current debt may reduce our liquidity and place some limitations on our ability to fund capital expenditures to support our expansion. Following completion of the Global Offering, we expect to fund our future working capital, capital expenditure and other cash requirements from bank or other borrowings, our internal resources and the estimated net proceeds from the Global Offering. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all.

**Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations and adverse determinations by tax authorities in the various jurisdictions where we operate**

The majority of our transactions are settled in US\$, HK\$, RMB and JPY. The value of the RMB against the US dollar and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions. In August 2015, China devalued the RMB’s daily reference rate to the US dollar. In the future, the Chinese government may adopt a more flexible currency policy, and if they do so, this could lead to the RMB exchange rates against other currencies being susceptible to more volatility than in the past. These fluctuations may result in exchange losses or gains or increases or reductions in our costs after translation from RMB. Any



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appreciation of the RMB may lead to an increase in our manufacturing costs if we are unable to pass on such additional costs to our customers. This may, in turn, affect our competitiveness against competitors outside the PRC. To the extent that we need to convert the proceeds of the Global Offering and future financing into RMB for our operations, any appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the amount of RMB we would receive from the currency conversion.

During the Track Record Period, we have entered into certain contracts to manage our foreign currency exposures. For details of such foreign currency contracts, please refer to the section headed “Financial Information — Certain Items of Combined Balance Sheet — Derivative financial instruments” in this prospectus. In addition, our currency exchange losses may be amplified by the PRC exchange control regulations which impose limits on the amount of RMB which may be converted into foreign currency. Due to the recent depreciation of RMB against the US dollar, we decided to unwind all of our outstanding forward foreign currency contracts so as to crystallise our exposures and avoid the risk of potential addition of losses. By 30 September 2015, we had settled or unwound all of our outstanding forward foreign currency contracts. For the six months ended 30 September 2015, the net realised losses from these outstanding forward foreign currency contracts were approximately HK\$12.3 million. As at the Latest Practicable Date, there were no outstanding forward foreign currency contracts. There is no assurance we may successfully mitigate our exposures to foreign currency fluctuations risks through purchases of derivative financial instruments in the future. In the event that we enter into further foreign currency contracts, any losses incurred from any outstanding currency contracts may therefore materially and adversely affect our business, financial condition and results of operation.

The Group operates mainly in Hong Kong, the PRC and Vietnam and has transactions with customers and suppliers in different countries. The Group’s inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group’s profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. For details, please refer to the section headed “Business — Transfer Pricing Arrangement” in this prospectus. There is no assurance that the tax authorities would not challenge the appropriateness of such transactions or arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority of a relevant jurisdiction later finds that the transfer prices and the terms that we have applied are not appropriate, such authority may require our Company or our subsidiary to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for us which may materially and adversely affect our business, financial condition and results of operation.

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**We are exposed to product liability or personal injury claims which may materially and adversely affect our reputation, business, prospects, financial condition and results of our operations**

During the Track Record Period, all of our knitwear products were mainly sold to markets such as Japan, the US and Europe. In addition, certain compliance agreements entered into between us and certain of our customers also contain provisions requiring us to comply with all applicable laws, rules and regulations and with our customers' codes of conduct and to hold such customers harmless against claims for damages from third parties arising from the knitwear products manufactured by us. Defects or quality issues with our products expose us to product liability claims.

There is no assurance that our business will not be materially and adversely affected by a successful product liability claim against us. Should there be any product liability or personal injury claim against us, we may incur significant costs and expenses to defend ourselves against such claims and/or settling such claims. We may also be fined or sanctioned and, if so, this could materially and adversely affect our reputation, business, prospects, financial condition and results of our operations.

**We mainly purchase from a number of suppliers and any disruption in their supply may have a material adverse effect on our business and results of operations**

For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, purchases from our five largest raw material suppliers accounted for approximately 63.6%, 71.8%, 68.2% and 72.8% respectively of our total purchase of raw materials, and our largest supplier accounted for approximately 33.2%, 35.0%, 43.5% and 50.3% respectively of our total purchases of raw materials for the corresponding years/period. We have established working relationships with most of our five largest raw material suppliers for more than 10 years, with the longest relationship being 17 years as at the Latest Practicable Date. We have not entered into any long-term purchase agreements with our suppliers and all purchase contracts are typically concluded on an order-by-order basis. If there is any decrease or disruption in supply or an increase in costs by one or more of our major suppliers or any termination of our business relationships with our major suppliers and we fail to find replacement suppliers on similar or favourable terms on a timely manner, our business and results of operations may be materially and adversely affected.

**Failure to comply with relevant regulations relating to social insurance and housing provident fund may subject us to penalty and materially and adversely affect our business, financial condition and results of operations**

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws for our employees. For details relating to these relevant laws, please refer to the section headed "Regulatory Overview — PRC Regulatory Overview — Laws and regulations in relation to labour law and social security" in this prospectus.

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As advised by our PRC legal advisers, during the Track Record Period, we have only made social insurance payments and housing provident fund contribution for some of our PRC employees as required under the relevant PRC laws and regulations. We estimate that the amounts of social insurance payments and housing provident fund contributions that we did not make, but should have made, for each of the three years ended 31 March 2013, 2014 and 2015 and for the three months ended 30 June 2015 were approximately RMB19.2 million, RMB23.0 million, RMB26.1 million and RMB10.0 million (in respect of social insurance payments), RMB4.6 million, RMB5.8 million, and approximately RMB7.1 million and RMB3.0 million (in respect of housing provident fund contributions). As at the Latest Practicable Date, we have not received any order or notice from the local authorities nor any claims or complaints from our current and former employees regarding our non-compliance in this regard. For details, please refer to the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus. We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding social insurance payment or housing provident fund contributions against us, or that we will not receive any claims in respect of social insurance payment or housing provident fund contributions under the PRC laws and regulation. In addition, we may incur additional costs to comply with such laws and regulations by the PRC Government or relevant local authorities. Any such development could materially and adversely affect our business, financial condition and results of operations.

**Failure to obtain or renew licences, certificates and permits required in the production of knitwear could materially and adversely affect our business, financial condition and growth prospects**

Save as disclosed under the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus, our PRC Factory and Vietnam Factory possess all necessary licences, certificates and permits for the production of our products in the PRC and Vietnam. There is no assurance that we will be able to obtain our outstanding licences, certificates and permits or renew such licences, certificates or permits upon their expiration. In addition, eligibility criteria for these licences, certificates, and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us or prohibit or make it more expensive for us to continue with the operation of any part of our business, we may have to restrict our operations and in those circumstances, our business, financial condition and growth prospects could be materially and adversely affected.

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**Our business, reputation, financial condition, results of operations and prospects could be materially and adversely affected if we fail to adequately protect our intellectual property rights**

We own certain trademarks and other intellectual property rights in connection with our business. As at the Latest Practicable Date, we owned the rights to 18 domain names registered in the PRC, four domain names registered in Hong Kong, two trademark registered in the PRC and three trademarks registered in Hong Kong. However, we cannot assure you that our trademark applications will be granted. If we are unable to adequately protect or safeguard our intellectual property rights, our image, business, reputation, financial condition, results of operations and prospects may be materially and adversely affected.

**Our financial results are expected to be adversely affected by non-recurring expenses relating to the Listing and the expected increase in depreciation charges**

Our financial results will be affected by non-recurring expenses including the expenses relating to the Listing, and the expected increase in depreciation charges as a result of the completion of construction of the second phase of our Vietnam Factory and the purchase of new machineries after Listing. We expect to incur listing expenses (assuming an Offer Price of HK\$1.18 per Share, being the mid-point of the indicative Offer Price range and without taking into account any discretionary incentive fees) of approximately HK\$50.1 million, of which approximately HK\$16.5 million had been charged to our income statement and approximately HK\$4.5 million had been capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately HK\$11.5 million to our income statements and approximately HK\$17.6 million is expected to be capitalized. Accordingly, Shareholders and potential investors should be informed that our financial results for the year ending 31 March 2016 are expected to be adversely affected by such non-recurring expenses in relation to the Listing. The expected increase in depreciation charges as a result of the completion of construction of the second phase of our Vietnam Factory and the purchase of new machineries after Listing may also affect our financial results after the Listing.

### RISKS RELATING TO OUR INDUSTRY

**Our business, financial condition, results of operations, prospects and profitability are dependent on the consumer spending level mainly in Japan and the US**

A substantial amount of our products are sold to our customers in Japan and the US. As such, our results of operations and profitability are dependent on the consumer demand and the macroeconomic conditions in Japan and the US. There are many factors affecting the level of consumer spending that are beyond our control, including but not limited to, disposable income, interest rates, recession, inflation, political taxation, stock market performance, unemployment level and general consumer confidence. Any worsening of the general economic conditions in Japan and the US may result in the slowing down of or decrease in orders from our customers in Japan and the US, potential delay and/or default in payment by the customers, and the withdrawal and/or reduction in banking facilities provided to us by the financial institutions. We cannot guarantee that

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we can continue to expand our customer base in Japan and the US and generate significant revenue from exporting to Japan and the US. There is a possibility that we cannot maintain the existing level of purchase orders from our customers in Japan and the US. If any or a combination of such factors come to pass, this could materially and adversely affect our business, financial condition, results of operations, prospects and profitability.

**We operate in a very competitive market and if we fail to compete effectively, our business, profit margins, results of operations and prospects may be materially and adversely affected**

We face competition from existing and new players in the knitwear manufacturing industry in the PRC, Vietnam and other countries. To compete effectively and maintain our sales level, we may be forced to, among other actions, reduce prices, provide more sales incentives to customers and increase capital expenditures. Any or a combination of these events may in turn materially and adversely affect our business, profit margins, results of operations and prospects.

Our main production facility is based in the PRC. According to the Euromonitor Report, there are over 10,000 knitwear manufacturers located in different regions across the PRC. However, in response to increasing labour and rental costs, some of these manufacturers are shifting their manufacturing bases out from the PRC to various Southeast Asian countries such as Vietnam. Mergers and acquisitions have been taking place as players seek to consolidate their resources to improve their operational efficiency. Nevertheless, the market is still fragmented, given the very large number of existing manufacturers. In addition, as the entry barriers of the knitwear manufacturing industry in Vietnam are relatively low given that the Vietnamese Government consistently welcomes investors in the apparel industry, the competition in our industry is keen. We may not be able to compete effectively against competitors who may have greater financial, human or other resources, greater operational efficiencies, who adopt competitive pricing strategies, achieve greater scales of production at lower costs of production as a result of moving their operations to other developing countries, or wider, more diversified and established retail networks. Our Directors believe that our success depends on our ability to compete effectively against these competitors in terms of product quality, design and development capability, timely delivery, valuable service, scale and capacity and efficiency. There is no assurance that we will continue to compete successfully or be able to respond rapidly to a fast changing business environment in the future, and if we fail to do so, our business, profit margins, results of operations and prospects may be adversely affected.

**Our financial performance and results of operations could be adversely affected by import restrictions imposed by Japan and the US**

A substantial amount of our knitwear products are delivered to our customers in Japan and the US and their products are sold all over the world. Following the removal of textile quotas for garments and textile by the WTO members from 2005 and other quota restrictions in 31 December 2008, textile and clothing shipments to Japan and the US made on or after 1 January 2009 are no longer subject to any quotas. There is no assurance that import quotas, higher tariffs or other trade barriers will not be imposed by Japan and the US or other countries and if this happens, our financial performance and results of operations could be materially and adversely affected.

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### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

#### **We are subject to the political, economic and social developments as well as laws, rules, regulations and licensing requirements in the PRC**

A substantial part of our businesses, assets, operations are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasizing the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which has slowed down in recent years. The PRC's economic growth, as measured by gross domestic product, slowed from 18.4% in 2011 to 8.2% in 2014. The PRC's economic growth is also influenced by the global economy. The global financial crisis in 2008 and the sovereign debt crisis in Europe have collectively added downward pressure to the PRC's economic growth.

Any unfavorable political, economic or social development in the PRC, or an unfavorable change in the PRC's laws, regulations, rules and licensing requirements, may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

#### **The payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law**

We operate a substantial part of the core business mainly through our operating subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The PRC law requires the PRC companies, including the foreign-invested enterprises, to set aside 10% of their net profit as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves



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are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from our PRC subsidiaries, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to service our indebtedness.

**PRC regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may adversely affect the value of your investment**

We plan to finance our equity-controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with, or approvals from, the PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of the SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment which our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future borrowings or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

**Dividends from our PRC subsidiaries paid to our Hong Kong subsidiaries might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC**

Under the EIT Law, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), or the 2015 Administration Measures, which was promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015



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Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognize and accept the 5% withholding tax rate on dividends paid by our PRC subsidiary and received by our Hong Kong subsidiary.

### **Uncertainties with respect to the PRC legal system could have a material adverse effect on our business, financial condition and results of operations**

A substantial part of our business and operations are conducted in the PRC and governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade with a view to develop a comprehensive system of commercial law.

However, the PRC has not developed a fully-integrated legal system. The recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management's attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialization of all or any of these uncertainties could have a material adverse effect on our business, financial position and results of operations.

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### **Present or future environmental and safety laws and regulations in the PRC may have a material adverse effect on affect our business, financial condition and results of operations**

Our business is subject to certain PRC laws and regulations relating to environmental and safety matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as waste water, noise, smoke and dust. The discharge of waste water and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

### **RISKS RELATING TO CONDUCTING BUSINESS IN VIETNAM**

#### **Geopolitical risks, including risks arising from recent events in Vietnam, may have an adverse impact on our business, financial condition and results of operations**

Apart from our operations in the PRC, we also have operations in Vietnam whose economy and legal system remain susceptible to risks associated with an emerging economy and is subject to higher geopolitical risks than developed countries. Examples include the recent social unrests in Vietnam targeting Chinese-related businesses, and territorial and other disputes among neighbouring countries in Asia. Social and political unrests could give rise to various risks, such as loss of employment and safety and security risks to persons and properties. Any such event may in turn have an adverse impact on our businesses, financial condition and results of operations.

#### **Changes in the economic, political and legal environment of Vietnam, and Vietnam's less developed legal system, may adversely affect our business, financial condition and results of operations**

We started our operations in Vietnam during the Track Record Period. Our business operations are subject to the economic, political and legal environment in Vietnam. Vietnam's economy differs from the economies of many countries in such respects as government involvement, level of development, growth rate, allocation of resources and inflation rate. Prior to the 1990s, Vietnam's economy was largely a planned economy. Since about 1987, increasing emphasis has been placed

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## RISK FACTORS

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on the utilisation of market forces in the development of the economy. In connection with the development of the economy, the Vietnamese Government has adopted a 10-year socio-economic development strategy for 2010 to 2020 and a five year state plan for the period from 2011 to 2015. Although state owned enterprises still account for a substantial portion of Vietnam's industrial output, the Vietnamese Government in general is reducing the level of direct control that it exercises over the economy through state plans and other measures. It is our understanding that there is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

The legal system of Vietnam also differs from most common law jurisdictions, in that it is a system in which decided legal cases have little precedential value. The laws and regulations are subject to broad and varying interpretations by government officials, courts and lawyers. The courts of Vietnam have the power to read implied terms into contracts, adding a further layer of uncertainty. As a result, government officials, courts and lawyers often express different views on the legality, validity and effect of a particular legal document. In addition, the views of governmental authority received on a particular issue have no binding effect or finality, so there is no guarantee that similar issues will be dealt with in a similar way by other governmental authorities. Furthermore, recognition and enforcement of legal rights through Vietnam courts, arbitration centers and administrative agencies in the event of a dispute is uncertain.

As part of its transition from a planned economy to a more market-oriented one, the Vietnamese Government has implemented a series of economic reforms, including lowering trade barriers and import quotas to encourage and promote foreign investment. In preparation for Vietnam's accession to the WTO in 2007, the Vietnamese Government has also promulgated a series of laws and regulations on local and foreign investment, including the Law on Investment, which regulates investments in Vietnam, and the Law on Enterprises, which sets out the types of corporate vehicle investors may establish to carry out their investment projects. However, conflicting interpretations between local regulators in different provinces and between different ministries, have created confusion over key issues. The Vietnam National Assembly issued new investment and enterprise laws in November 2014, which came into force on 1 July 2015, to improve the country's investment climate. In addition, in the context of pursuing and maintaining economic reforms, the Vietnamese Government has promulgated other laws and regulations in recent years designed to attract foreign investment and business development in Vietnam, which may intensify the competition in our industry.

Although the Vietnamese Government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome of these experiments. Furthermore, there can be no assurance that the Vietnamese Government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes

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## RISK FACTORS

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adversely affect us or our business, or we are unable to capitalise on the economic reform measures of the Vietnamese Government, our business, financial condition and results of operations could be adversely affected.

**The economy in Vietnam may be subject to periods of high inflation which could materially and adversely affect our business, financial operation and results of operations and growth prospects**

Government anti-inflation policies and a decline in global commodity and petroleum prices have led to a decrease in Vietnam's inflation rate. While these inflation rates are lower than rates of earlier years, there can be no assurance that the Vietnamese economy will not be subject to future periods of high inflation. Should inflation in Vietnam increase significantly, our costs, including labour costs and transportation are expected to increase. Furthermore, high inflation rates could have an adverse effect on Vietnam's economic growth, business climate and dampen consumer purchasing power. As a result, a high inflation rate in Vietnam could materially and adversely affect our business, financial condition and results of operations and growth prospects.

### **RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES**

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The liquidity and market prices of our Shares following this Global Offering may be volatile. The price to which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of and the prospects for us and the industry in which we compete;
- an assessment of our management, our past and present operations and the prospects for our business;

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## RISK FACTORS

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- timing of our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the knitwear product industry.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

**Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face future dilution as a result of future financings**

Potential investors will pay a price per Share that substantially exceeds the per Share value of our net tangible assets 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, potential investors would receive less than the amount they paid for their Shares.

We believe that our current cash and cash equivalents, anticipated cash flows from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent prior to the payment of dividends;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flows to fund capital expenditures, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for or reacting to changes in our business and our industry.

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## RISK FACTORS

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### **Dividends paid in the past may not be indicative of the amounts of future dividend payments or our future dividend policy**

Historical dividend distributions by our subsidiaries are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by us will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, 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 constitutional documents and the Companies Law as well as (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in Hong Kong, the PRC and Vietnam in accordance with our dividend and distribution policy as described in the section headed “Financial Information — Dividend and Distribution Policy” in this prospectus.

### **Sales, or perceived sale, of substantial amounts of our Shares in the public market after the Global Offering could adversely affect the prevailing market price of our Offer Shares**

There will be 2,000,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option and that no options will be granted under the Share Option Scheme. We and certain of our Shareholders, subject to certain exceptions, have agreed to a lock-up arrangement until six months after the Listing Date, details of which are set out in the section headed “Underwriting” in this prospectus. After the restrictions of the lock-up arrangements expire, our Shareholders may dispose of our Shares. Sales of substantial amounts of Shares in the public market after the completion of the Global Offering or the perception that these sales could occur could adversely affect the market price of our Shares.

### **You may face difficulties in protecting your interests under the laws of the Cayman Islands**

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

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## RISK FACTORS

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**We cannot guarantee the accuracy of certain facts, forecasts, statistics and industry information that have come from various sources contained in this prospectus**

Certain facts, forecasts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the global and other markets of the apparel industries have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus, and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither we, our Directors, the Sole Sponsor nor any of the parties involved in the Global Offering have independently verified, or make any representation as to the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications produced for other economies. Accordingly, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **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 Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information about us to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or 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 subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to its date.

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 Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the relevant Application Forms.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit a Hong Kong Public Offering of the Offer Shares in any jurisdiction other than 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. The distribution of this prospectus, and the Global 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.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares, any Shares to be issued pursuant to the exercise of the Over-allotment Option, Shares to be issued under the Capitalisation Issue and Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

No part of our 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.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 on the Stock Exchange or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after a trading transaction. You should seek advice from your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights, interests and liabilities.

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

### **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 or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives 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, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited in the Cayman Islands, and our register of members in Hong Kong will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

### LANGUAGE

The English names of the PRC nationals, entities, departments, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

### ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars, of RMB amounts into US dollars, of Hong Kong dollars into US dollars and VND amounts into US dollars at specified rates.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of RMB into Hong Kong dollars, of RMB into US dollars, of Hong Kong dollars into US dollars and of US dollars into VND, and vice versa, in this prospectus was made at the following rate:

- RMB0.80 to HK\$1.00
- US\$1.00 to RMB6.20
- US\$1.00 to HK\$7.75
- US\$1.00 to VND20,537.50

No representation is made that any amounts in US dollars, Hong Kong dollars, RMB or VND can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wong Ting Chung (王庭聰), <i>BBS, JP</i>	House 38, Tycoon Place 38 Lo Fai Road, Tai Po New Territories, Hong Kong	Hong Kong
Mr. Wong Wai Wing, Raymond (王惠榮)	Flat B, 23/F, Block 6, Julimount Garden 1-5 Hin Tai Street, Tai Wai, New Territories, Hong Kong	Hong Kong
Mr. Wong Ting Chun (王庭真)	House 70, Tycoon Place 38 Lo Fai Road, Tai Po New Territories, Hong Kong	Hong Kong
Mr. Li Po Sing (李寶聲)	Flat B, PH/F, Block I The Hillgrove-Alder 9 Tsing Fat Lane, So Kwun Wat New Territories, Hong Kong	Hong Kong
Ms. Chan Mei Hing, Aurora (陳美興)	Flat SB, 38/F, Tower 2 Festival City Phase 1 1 Mei Tin Road, Tai Wai New Territories, Hong Kong	Hong Kong
<i>Non-executive Directors</i>		
Mr. Tam Wai Hung, David (譚偉雄)	Room 1501, 15/F, Block 78 Bamboo Grove 74-86 Kennedy Road Wan Chai, Hong Kong	Canadian
Mr. Wong Ting Kau (王庭交)	Flat A and B, 10/F Tower 6, Deerhill Tower Deerhill Bay, 4699 Tai Po Road New Territories, Hong Kong	Hong Kong
Mr. Wong Wai Yue (王槐裕)	House 38, Tycoon Place 38 Lo Fai Road, Tai Po New Territories, Hong Kong	Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Lau Ka Keung (樓家強), <i>MH</i>	House 37, Tycoon Place 38 Lo Fai Road, Tai Po New Territories, Hong Kong	Hong Kong
<i>Independent non-executive Directors</i>		
Ms. Fan Chiu Fun, Fanny (范椒芬), <i>GBS, JP</i>	Flat B2, 10/F, Nicholson Tower 8 Wong Nai Chung Gap Road, Wan Chai Hong Kong	Hong Kong
Mr. Kan Chung Nin, Tony (簡松年), <i>BBS, JP</i>	House 9, Botania Villa Kau To Shan, Shatin New Territories, Hong Kong	Hong Kong
Mr. Ong Chor Wei (王祖偉)	Flat A, 3/F, Block AB, Greenview Gardens 125 Robinson Road, Central Hong Kong	Malaysian
Mr. Fan Chun Wah, Andrew (范駿華)	Room E, 22/F, Block 38, Laguna City 11 South Laguna Street, Kwun Tong Kowloon, Hong Kong	Hong Kong
Ms. Lee Bik Kee, Betty (李碧琪)	Flat B, 27/F Hong Kong Garden 8 Seymour Road Hong Kong	Hong Kong

For further information, please refer to the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor**  
CITIC CLSA Capital Markets Limited  
18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Sole Global Coordinator and  
Sole Bookrunner**  
CLSA Limited  
18/F, One Pacific Place  
88 Queensway  
Hong Kong

**Joint Lead Managers**  
CLSA Limited  
18/F, One Pacific Place  
88 Queensway  
Hong Kong

Mizuho Securities Asia Limited  
12th Floor, Chater House  
8 Connaught Road  
Central, Hong Kong

**Legal Advisers to our Company**  
*As to Hong Kong Law*  
Sidley Austin  
39/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

*As to PRC Law*  
Allbright Law Offices  
23/F, Tower 1  
Excellence Century Center  
Fuhua 3 Road Futian District  
Shenzhen  
PRC

*As to Cayman Islands Law*  
Conyers Dill & Pearman  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to Vietnam Law*  
VILAF  
Suite 4.4–4.6, Kumho Asiana Plaza Saigon  
39 Le Duan Street, District 1  
Ho Chi Minh City, Vietnam

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Legal Advisers to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong Law</i> Reed Smith Richards Butler 20/F, Alexandra House 18 Chater Road Central Hong Kong  <i>As to PRC Law</i> Fangda Partners 14/F, Tower Two, Kerry Plaza 1 Zhong Xin Si Road, Futian District Shenzhen 518048 PRC
<b>Auditor and Reporting Accountant</b>	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central, Hong Kong
<b>Industry Consultant</b>	Euromonitor International 60–61 Britton Street London EC1M 5UX
<b>Compliance Adviser</b>	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Receiving Banks</b>	Bank of China (Hong Kong) Limited 1 Garden Road Central, Hong Kong  Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
<b>Property Valuer</b>	Vigers Appraisal & Consulting Limited 10/F, The Grande Building 398 Kwun Tong Road Kowloon Hong Kong



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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance</b>	Units A–C, 21/F, Block 1 Tai Ping Industrial Centre 57 Ting Kok Road Tai Po New Territories Hong Kong
<b>Headquarters</b>	Units A–C, 21/F, Block 1 Tai Ping Industrial Centre 57 Ting Kok Road Tai Po New Territories Hong Kong
<b>Company secretary</b>	Mr. Tao Chi Keung (陶志強), <i>HKICPA, ACCA</i> Flat C, 52/F Le Point Tower 10 Metro Town Phase II 8 King Ling Road, Tseung Kwan O New Territories, Hong Kong
<b>Authorised representatives</b>	Ms. Chan Mei Hing, Aurora (陳美興) Flat SB, 38/F, Tower 2 Festival City Phase 1 1 Mei Tin Road, Tai Wai New Territories, Hong Kong  Mr. Wong Wai Wing, Raymond (王惠榮) Flat B, 23/F, Block 6, Julimount Garden 1–5 Hin Tai Street, Tai Wai New Territories, Hong Kong
<b>Audit Committee</b>	Mr. Ong Chor Wei (王祖偉) ( <i>chairman</i> ) Mr. Kan Chung Nin, Tony (簡松年), <i>BBS, JP</i> Mr. Tam Wai Hung, David (譚偉雄) Mr. Fan Chun Wah, Andrew (范駿華)

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Mr. Kan Chung Nin, Tony (簡松年), <i>BBS, JP (chairman)</i> Mr. Wong Ting Chung (王庭聰), <i>BBS, JP</i> Mr. Ong Chor Wei (王祖偉)
<b>Nomination Committee</b>	Mr. Wong Ting Chung (王庭聰), <i>BBS, JP (chairman)</i> Mr. Kan Chung Nin, Tony (簡松年), <i>BBS, JP</i> Mr. Ong Chor Wei (王祖偉)
<b>Cayman Islands principal share registrar and transfer office</b>	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>Principal bankers</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong  DBS Bank (Hong Kong) Limited 11th Floor, The Center, 99 Queen's Road Central Central, Hong Kong  Bank of China (Hong Kong) Limited 14th Floor, Bank of China Tower, 1 Garden Road Central, Hong Kong  China Construction Bank (Asia) Corporation Limited 28/F, CCB Tower, 3 Connaught Road Central Central, Hong Kong  Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4–4A Des Voeux Road Central Hong Kong
<b>Website of the Company</b>	<a href="http://www.namesonholdings.com">http://www.namesonholdings.com</a> <i>(the information contained on the website does not form part of this prospectus)</i>

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## INDUSTRY OVERVIEW

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*Certain information and statistics that appears in this Industry Overview and elsewhere in this prospectus relating to the knitwear industry is derived from the industry report prepared by Euromonitor which was commissioned by us and is prepared primarily as a market research tool. The information extracted from the Euromonitor Report should not be considered as a basis for investments in the Offer Shares or as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. The Directors have no reason to believe that such information and statistics is false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading in any material respect. The information and statistics extracted from the Euromonitor Report has not been independently verified by the Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any other party involved in the Global Offering or their respective directors, officers, employees, advisers, agents.*

### SOURCES OF INFORMATION

#### General

The Company had engaged Euromonitor to conduct an independent assessment of knitwear manufacturing in China and Vietnam and has agreed to pay a fee of approximately US\$95,333 for the Euromonitor Report. Established in 1972, Euromonitor is a global research organisation with over 800 analysts in over 80 countries worldwide engaging in strategy research for both consumer and industrial markets.

#### Research Methodology

In compiling and preparing the Euromonitor Report, Euromonitor used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics and official sources, specialist trade press and associations, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database; (ii) primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates; (iii) derived projected data from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers; and (iv) reviewed and cross-checked all sources and independent analysis to build all final estimates including the size, shape, drivers and future trends of the knitwear market and to prepare the final report.

Euromonitor utilised both types of sources to validate all data and information collected, with no reliance on any single source. Furthermore, each respondent's information and views were cross-checked against those of others to eliminate bias from the sources.

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## INDUSTRY OVERVIEW

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### Forecasting Bases and Assumptions

Euromonitor based the Euromonitor Report on the following assumptions: (i) the economy is expected to maintain steady growth in China and Vietnam over the forecast period; (ii) the social, economic, and political environment is expected to remain stable in China and Vietnam in the forecast period; (iii) there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of knitwear in China and Vietnam during the forecast period; (iv) key drivers such as well-developed infrastructure and supply chain, growing urbanisation, and decreasing raw material prices for cotton and wool are expected to boost the development of the apparel and knitwear manufacturing industries in China; (v) key drivers such as lower wages, growing labour force, and greater demand for Vietnamese imports are expected to boost the development of the apparel manufacturing industry in Vietnam; (vi) key drivers such as favourable trade agreements, lower production costs, and relocation of manufacturing bases are expected to drive future growth of imports of knitwear from Vietnam; and (vii) key drivers such as increasing per capita income, growing urbanisation, and greater demand for better-quality knitwear are likely to drive future growth of the knitwear retail markets in China, the US and Japan.

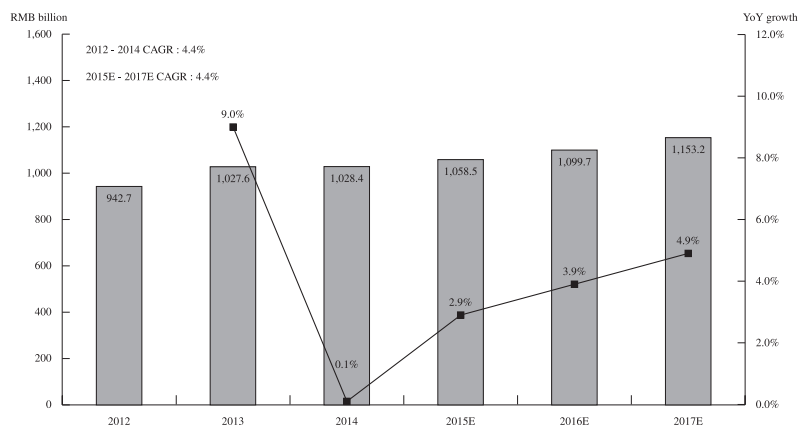
### KNITWEAR MANUFACTURING IN CHINA AND VIETNAM

#### China knitwear manufacturing industry overview

The knitwear manufacturing industry in China is well-developed with decades of history and has reached a mature phase. The manufacturers in China are well equipped with high-quality materials, sophisticated manufacturing techniques and processes, advanced machines, proficient workers and a well-developed supply chain.

In 2014, the total production size of knitwear accounted for approximately 47.0% of all apparel manufacturing in China to reach RMB1,028.4 billion (or US\$168.6 billion), with a moderate growth of approximately 4.4% CAGR from 2012 to 2014 due to the downturn in the global export market as well as the switch of manufacturing bases from China to Southeast Asian countries. According to the General Administration of Customs of the PRC (the “China Customs”), knitwear saw a decline in export value in 2014, which indicated shrinking demand for knitwear products from China. Nevertheless, the Chinese domestic knitwear manufacturing market is expected to retain its competitiveness by producing higher-quality knitwear products, which would help the market to maintain a similar level of moderate growth of approximately 4.4% from 2015 to 2017. The following chart shows the knitwear production size in China by manufacturers’ revenue:

**Knitwear Production Size in China by Manufacturers’ Revenue, 2012 – 2017E**



Source: Euromonitor Report

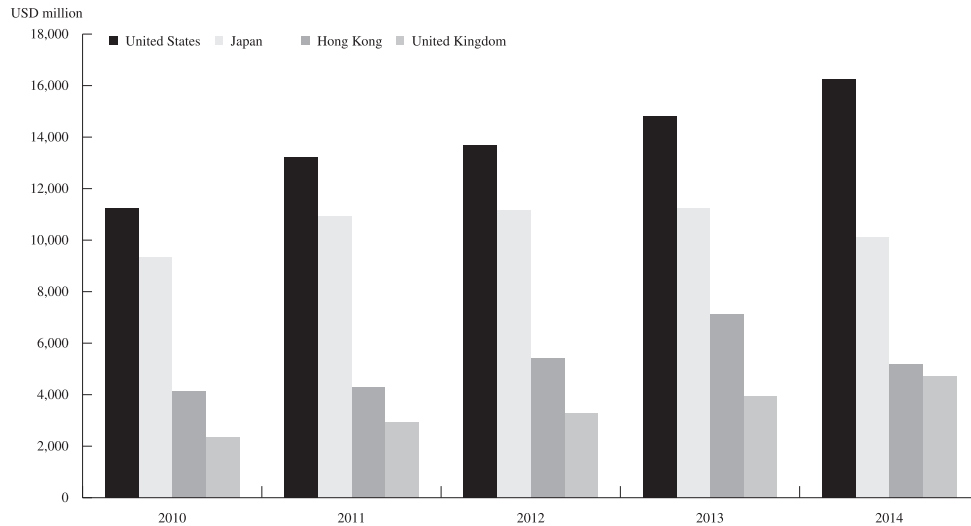
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## INDUSTRY OVERVIEW

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More than 40% of knitwear produced in China is slated for export every year, with the key export markets being the US, Japan, Hong Kong and the United Kingdom.

### Exports of Knitwear from China, 2010 – 2014



Source: *China Customs*

### China knitwear manufacturing industry development trend

Due to the rising Chinese labour and rental costs for manufacturing plants in China, many knitwear manufacturers have started shifting their manufacturing locations to areas with lower labour costs, especially to Southeast Asian countries such as Vietnam and Cambodia. Compared to smaller knitwear manufacturers in emerging Southeast Asian countries, Chinese knitwear manufacturers have more experience with regards to supply chain management, such as long-time partnered raw material suppliers, a well-established logistics network and broad distribution channels, all of which have helped Chinese knitwear manufacturers to win orders from both home and abroad, ensuring the stable growth of knitwear manufacturing in China.

### China knitwear manufacturing industry entry barriers

The entry barriers to the knitwear manufacturing industry in China are comparatively low for small businesses. However, if new players aim to enter the high-end or large scale stratum of the market, the entry barriers are considered quite high as a larger initial investment is required and new entrants will encounter more challenges setting up their businesses. First of all, the increase in labour costs places added pressure on the labour intensive knitwear industry. Secondly, the revised PRC Environmental Protection Law in effect since January 2015 means that players would have to make significant capital investments in waste management facilities to ensure that they are up to standard, which is likely to eliminate some unqualified manufacturers from the market. Furthermore, to be able to compete with vertically integrated major knitwear players, an experienced management team, highly skilled workers, advanced technology and established research and development capabilities are prerequisites for potential new entrants.

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## INDUSTRY OVERVIEW

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### China knitwear manufacturing industry competitive landscape

The knitwear manufacturing market in China is highly fragmented, with the five leading knitwear manufacturers jointly accounting for approximately 2% of the total knitwear manufacturing market by revenue in 2014. According to the Euromonitor Report, there are over 10,000 knitwear manufacturers located in different regions across the country. Mergers and acquisitions have been taking place as players seek to consolidate their resources to improve their operational efficiency. Nevertheless, the market would still remain fragmented, given the very large number of existing manufacturers. The following table sets forth the market share of the top five knitwear manufacturers in China in 2014 by manufacturers' revenue:

#### Top 5 knitwear manufacturers in China in 2014

<u>Ranking</u>	<u>Company</u>	<u>Market share by manufacturers' revenue</u>
1	Company 1	0.86%
2	Company 2	0.52%
3	Company 3	0.30%
4	<b>Nameson</b>	<b>0.19%</b>
5	Company 5	0.16%

*Source: Euromonitor Report*

Product homogeneity is currently, and foreseen to be, the greatest barrier for knitwear companies globally. Compared to leading players, newer and smaller participants would usually have fewer resources to innovate and their research and development capabilities are comparatively low. Meanwhile, major knitwear manufacturers usually have more resources to be dedicated to research capabilities and are more experienced in knitwear design and manufacturing than small and medium players. Leading knitwear manufacturers are continuously increasing efforts in research and development to expand their product offerings by creating new designs and patterns and offering value-added services such as embroidery. As such, major knitwear players have maintained their competitive advantage over smaller players.

### Competitive advantages of the Group

Please see “Business — Our Competitive Strengths” for more details on the competitive advantages of the Group.

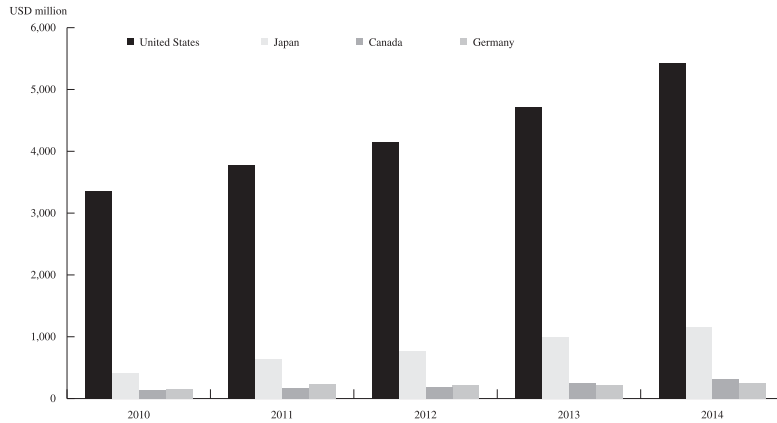
### Vietnam knitwear manufacturing industry overview

The apparel manufacturing industry is a major export sector in Vietnam in recent years, with total apparel production size by manufacturers' revenue growing at a CAGR of approximately 18.9% from 2012 to 2014 to reach VND376.3 trillion (or US\$17.8 billion) in 2014 and is expected to continue growing at a CAGR of approximately 12.7% from 2015 to 2017. Amongst its apparel export portfolio, knitwear is one of the key products and has been developing steadily in recent

## INDUSTRY OVERVIEW

years to satisfy the growing demand from major import markets such as the US and Japan and to a lesser extent, from Canada and Germany.

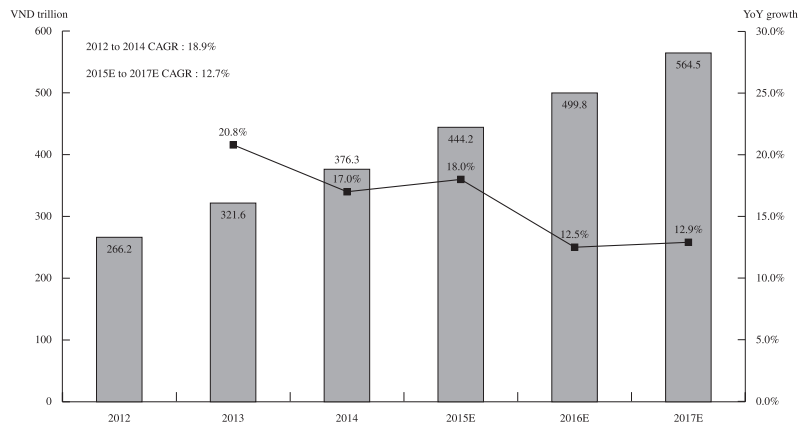
### Imports of Knitwear from Vietnam, 2010 – 2014



*Source: Euromonitor estimates from desk research and trade interviews with leading apparel manufacturers and the relevant trade association in Vietnam.*

The strong growth of apparel production, including knitwear production, has been driven by favorable trade agreements. For example, Vietnam’s entry into the WTO in 2007 has led to certain trade advantages such as low tariffs by the US and elimination of trade quotas for garments and textile by all WTO member countries, including the US, Canada and the European Union; the Japan-Vietnam Economic Partnership Agreement, which took effect in 2009, has also eliminated customs duties on knitwear goods subject to certain conditions. Looking ahead, negotiations for the Trans-Pacific Partnership (TPP) — a regional free trade agreement (FTA) which was recently concluded in October 2015 involving 12 countries, including the US, Vietnam, Japan, Australia and Canada amongst others are likely to result in lower tariffs and fewer trade barriers to goods and services trade and investment, hence giving Vietnam greater market access to major TPP countries such as the US and Japan. Following the implementation of the TPP, the cost of our customers is expected to decrease and hence making our Vietnam Factory more attractive to our customers. Accordingly, we expect to receive more customers’ orders for our products. Already, apparel firms in Vietnam have been increasing their capital investment since the start of 2015. The following chart shows the apparel production size in Vietnam by revenue:

### Apparel Production Size in Vietnam by Manufacturers’ Revenue, 2012 – 2017E



*Source: Euromonitor Report*



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## INDUSTRY OVERVIEW

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The government's objective to put Vietnam into the top three largest textile and apparel exporters in the world by 2020 was also significant in driving industry growth. To achieve this objective, the Vietnamese government committed to reform and promote industry development by lowering interest rates, stabilising exchange rates, curbing inflation, increasing the usage of local input materials and components, and focusing on improving the competitiveness of products through innovative technology and design. Due to these business-friendly policies, domestic manufacturers were motivated to continue producing and more foreign investors were encouraged to enter the domestic market. Currently, Vietnam is already among the top five largest exporters of apparel in the world and its apparel production industry has a typical production capacity utilisation rate of between 70% and 80%. In the forecast period from 2015 to 2017, apparel production in Vietnam is forecasted to continue to experience double-digit growth, supported by new bilateral and multilateral trade agreements, such as the recently concluded TPP and FTAs with Korea, the Eurasian Economic Union (EEU) and the European Union (EU).

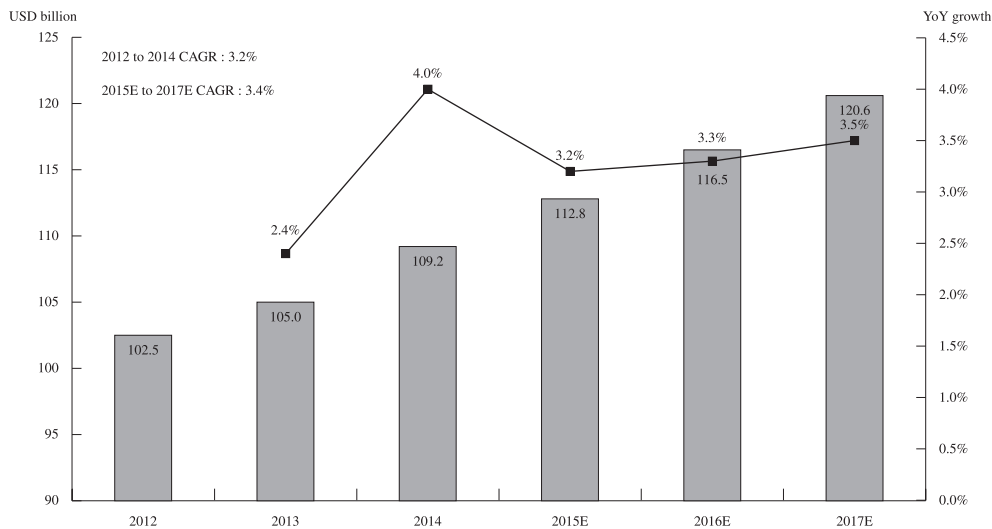
### Vietnam knitwear manufacturing industry entry barriers

Barriers to entry for the Vietnam knitwear manufacturing industry are considered low as the Vietnamese government consistently welcomes investors to the apparel industry, especially knitwear manufacturers. The few entry barriers to the industry are considered to be difficulties in achieving economies of scale, relatively large capital requirements and a lack of local raw materials of good quality.

### US KNITWEAR MARKET ANALYSIS

The US knitwear market is a mature but sizeable market with a retail market size of US\$109.2 billion as at 2014 that has been growing steadily at a mild single digit.

#### US Knitwear Retail Market by Retail Sales Value, 2012 – 2017E



Source: Euromonitor Report

In terms of consumer demand, consumers in the US are increasingly conscious about cost and quality and low-cost apparel and premium apparel items have been outperforming the market while mass brands and retailers have underperformed. The Euromonitor Report forecasts that from 2015

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## INDUSTRY OVERVIEW

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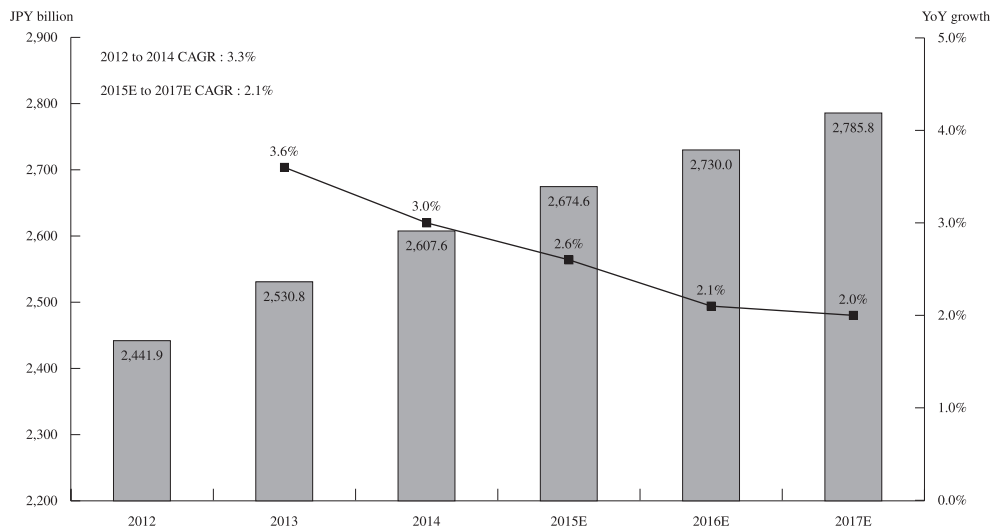
to 2017, the US knitwear industry will be driven by the high-end sector of the market as the economy recovers. Men's knitwear is also expected to grow faster than women's knitwear as more brands are offering products for men in response to male consumers' increasingly discerning tastes in their clothing and a greater demand for more variety.

In terms of product pricing, apparel prices have generally increased from 2010 to 2014, except for a slight dip in 2015, as evident by the Consumer Price Index for all Urban Consumers for Total Apparel published by the US Department of Labour, which has increased from 119.5 in 2010 to 127.5 in 2014, growing at a mild CAGR of approximately 1.6%. The key reason for such increase is the rising production cost in sourcing countries notably China, as well as a shift in tastes and preferences of American consumers towards premium and super-premium apparel products.

### JAPAN KNITWEAR MARKET ANALYSIS

The knitwear retail market accounts for about one-third of Japan's total apparel value sales. Similar to the US, the Japan knitwear retail market is a mature but sizeable market which had a retail market size of JPY2,607.6 billion (or US\$24.6 billion) as at 2014 and had been growing at a moderate CAGR of approximately 3.3% from 2012 to 2014.

**Japan Knitwear Retail Market by Retail Sales Value, 2012 – 2017E**



Source: Euromonitor Report

Growth in the Japan knitwear retail market had been mainly driven by increasing prices as a result of the weakening Yen, higher production costs in sourcing countries and an increase in demand for premium knitwear. The increasing disposable income gap between the affluent and low-income consumer groups has resulted in further polarisation between consumers seeking high-quality and high-value knitwear products and those who remain price-conscious. Popularity of knitwear amongst Japanese male has also helped to boost knitwear retail sales as young Japanese men are becoming increasingly fashion conscious, resulting in a greater demand for upper-middle

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## INDUSTRY OVERVIEW

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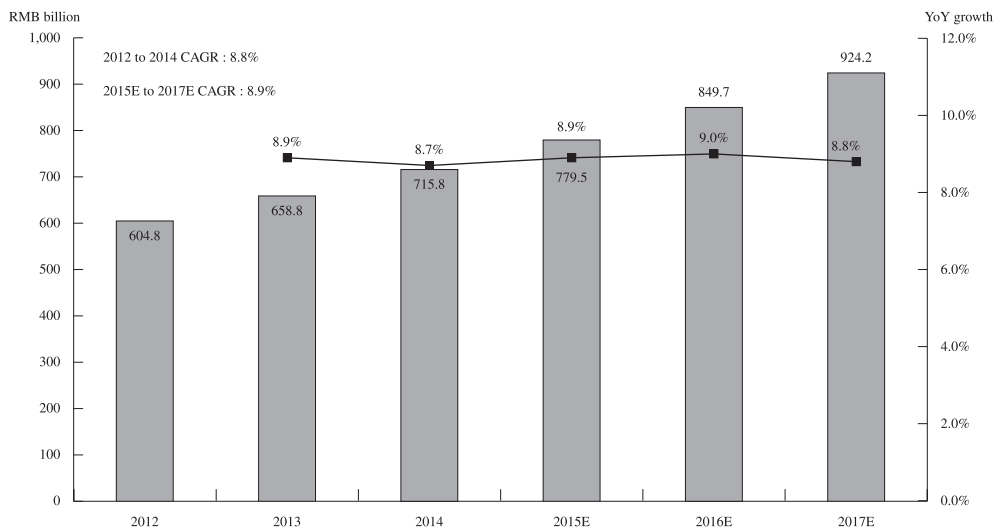
range of menswear. From 2015 to 2017, the Euromonitor Report projects that the growth in the Japan knitwear retail market will continue to be driven by increasing knitwear prices for the same reasons plus the value-added tax hike which took effect in mid-2014.

Product pricing in Japan, as measured by the consumer price index for clothing and footwear published by the Statistics Bureau of Japan, remained flat between 99.7 and 100.1 from 2010 to 2013, before increasing slightly to 102.2 and 104.5 in 2014 and 2015, respectively, as a result of the weakening Yen, rising production costs in sourcing countries, particularly in China, and the value-added tax hike since April 2014.

### CHINA KNITWEAR MARKET ANALYSIS

The China knitwear retail market has seen strong growth in recent years and had grown at a CAGR of approximately 8.8% from 2012 to reach RMB715.8 billion in 2014. According to the Euromonitor Report, the strong growth momentum is expected to continue into 2017 on the back of the rising disposable income in China, expanding retail channels and increasing marketing tactics such as the boom in online shopping. Facing greater export pressure from international markets and competition from other manufacturing countries, Chinese knitwear manufacturers are gradually switching their focus to the domestic market. Leading knitwear brand owners have also made large investments in marketing activities in China.

**China Knitwear Retail Market by Retail Sales Value, 2012 – 2017E**



Source: Euromonitor Report

### RAW MATERIAL PRICES AND LABOUR COSTS

The principal raw materials used in our production of knitwear products are yarn, which are mainly blended with different materials such as cotton and wool. We purchase yarn mainly from suppliers in the PRC.

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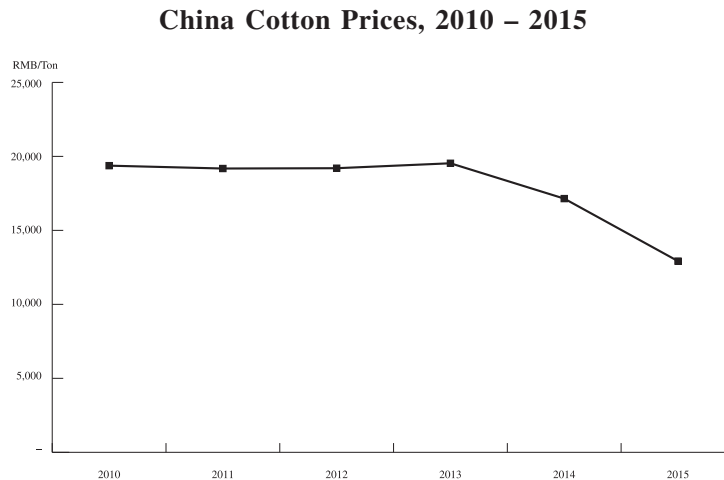
## INDUSTRY OVERVIEW

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The main determinants of the production costs of yarn include raw cotton prices, raw wool prices, labour costs and other general operational costs. As elaborated in more details below, although the prices of cotton and wool have generally declined from 2012 to 2014, labour costs in China had continued to increase at double-digit each year over the same period.

### Cotton prices

Cotton prices in China maintained between RMB19,000 to RMB20,000 per ton from 2010 to 2013, before falling to RMB12,922.0 per ton in 2015. In 2011, China announced its temporary state reserve programme for cotton, whereby a cotton price floor was set and the state would purchase domestic cotton fibre whenever prices fell below the reference price. This had maintained the higher cotton prices up until 2013 but led to a huge cotton stockpile. In 2014, cotton prices dipped as China attempted to reduce the massive cotton reserves by lowering their auction prices. In 2015, the cotton price fell to RMB12,922.0 per ton, with the state continuing to push out its cotton inventories, hence increasing supply, and weaker demand from domestic and foreign textile producers. The following chart shows the cotton prices from 2010 to 2015:



*Source: China Cotton Index 3128B published by China Cotton Association*

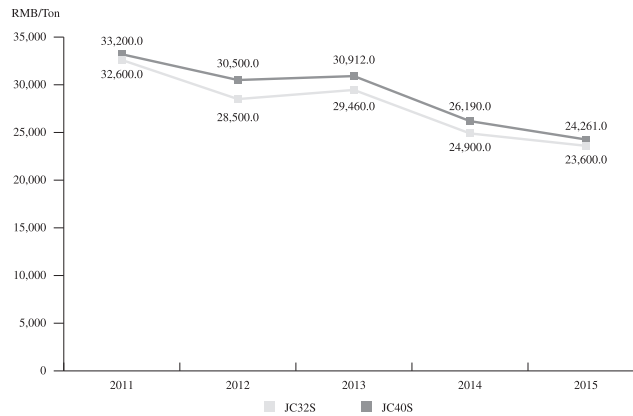
### Cotton yarn prices

Series JC32S and JC40S are the types of cotton yarn which are comparable to the main types of cotton yarn we typically procure in our production. According to the China National Cotton Exchange, there was a general decline in the prices of these types of cotton yarn, which is in line with the decrease in the prices of cotton during the same period. Based on a per tonnage basis,

## INDUSTRY OVERVIEW

prices for these main types of cotton yarn reflected a CAGR which ranged from  $-7.5\%$  to  $-7.8\%$  during the same period. The following chart shows the prices of these types of cotton yarn from 2011 to 2015:

**Cotton Yarn Prices, 2011 – 2015**



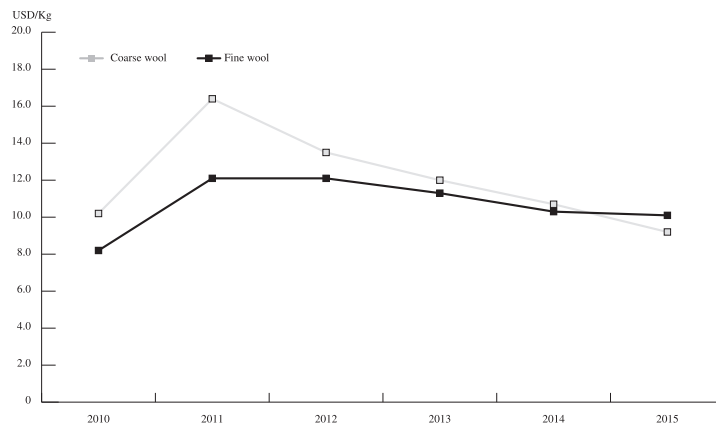
Source: China National Cotton Exchange

Note: The prices for cotton yarn in the above table are for reference only. The actual prices of yarn which we procure in our production would fluctuate in accordance with their specification, e.g. single yarn or double yarn, raw white or coloured, as well as other treatments or specifications requested by the cotton yarn customers.

### Wool prices

Wool prices followed a similar trend and declined between 2011 and 2015 on the back of surplus supply from a surge in Australian fine wool production in 2013 and lackluster demand from the European Union, US and United Kingdom and the increase in production and a modest fall in export demand for the coarse wool. Wool prices continued to fall in 2015 as market demand remain subdued. The following chart shows the prices of coarse wool and fine wool from 2010 to 2015:

**Wool Prices, 2010 – 2015**



Source: International Monetary Fund

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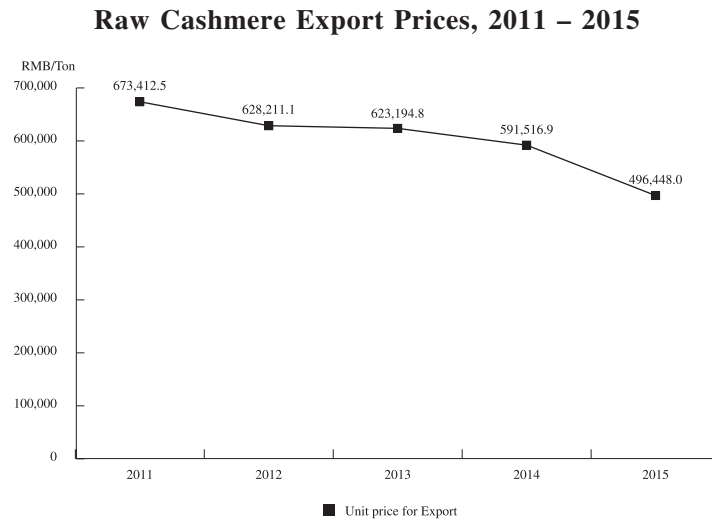
## INDUSTRY OVERVIEW

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### Cashmere prices

Whilst China does not currently track on a national level the prices for commoditised raw cashmere, nevertheless, given that China is recognised as the world's largest producer and exporter of raw cashmere with its key production sites located in the northern regions of the country (e.g. Xinjiang, Liaoning and Gansu), the export prices of raw cashmere in China reflects the global demand for raw cashmere.

From 2011 to 2015, there was a decrease in the export prices for raw cashmere which represented a CAGR of  $-1.9\%$  on a per tonnage basis. Though there was an increasing trend in the export prices for raw cashmere prior to 2011, given the effects of the global economic slowdown in 2012 along with the general decline in export orders, growing supply-side competition and the overall appreciation of the RMB, this had resulted in downward price pressures on raw cashmere towards the latter years. The following chart shows the raw cashmere export prices from 2011 to 2015:



Source: China Custom (Fine animal hair, carded/combed, of Kashmir (cashmere) goats)

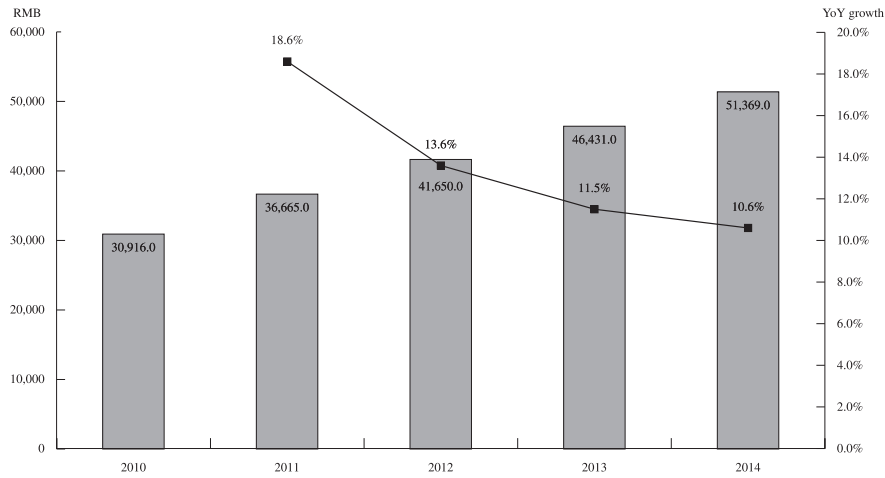
### Labour costs

#### China

According to the statistics published by the National Bureau of Statistics of China, the average wage of employed persons in the manufacturing sector located in urban areas of the PRC had increased from RMB30,916.0 in 2010 to RMB51,369.0 (or US\$8,241.1) in 2014, representing a CAGR of approximately 13.5%.

## INDUSTRY OVERVIEW

### Average Wage of Employed Persons in Urban Units of PRC (Manufacturing Sector), 2010 – 2014



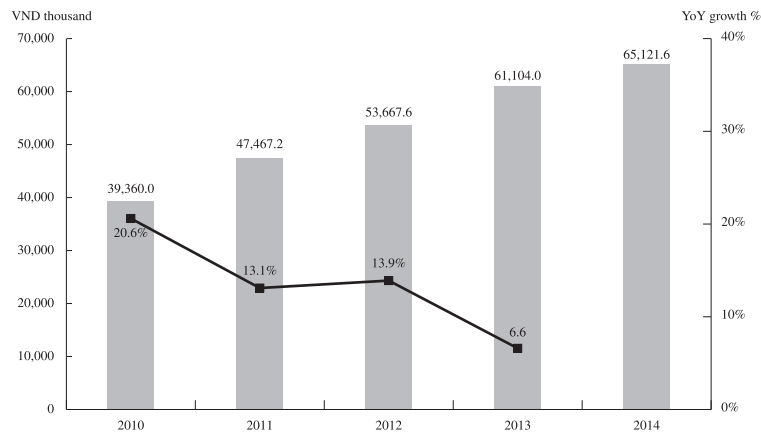
Source: National Bureau of Statistics of China

In recent years, the China knitwear manufacturing industry had been impacted by increasing labour costs, causing a drop in industry profits to some extent. Nevertheless, the drop in raw material prices had helped knitwear manufacturers to slightly relieve the burden of rising labour costs.

### Vietnam

The Vietnamese apparel manufacturers are also faced with increasing labour costs. According to the statistics published by the General Statistics Office of Vietnam, the average income per employee in state sector for manufacturing labour had continued to increase at a CAGR of approximately 13.4% from 2010 to reach VND65,121,600 (or US\$3,079.2) in 2014. In addition, minimum wages in the country saw a 15.2% increase in 2014.

### Average Income per Employee in State Sector of Vietnam (Manufacturing Sector), 2010 – 2014



Source: General Statistics Office of Vietnam



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## INDUSTRY OVERVIEW

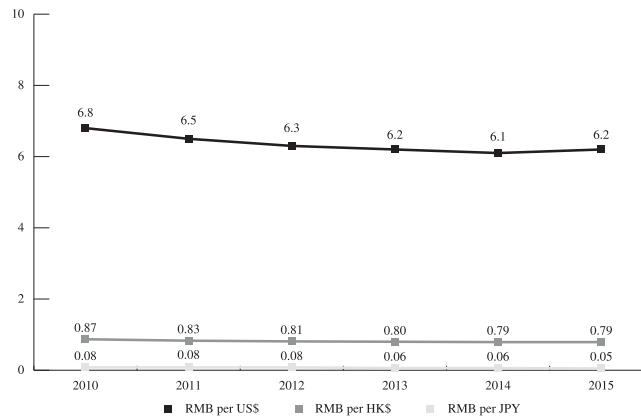
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### Currency Fluctuation

#### *RMB Fluctuation*

From 2010 to 2015, the RMB had continued to appreciate against US\$, JPY and HK\$ amid the rising power of the Chinese currency, with the RMB appreciating from (i) US\$1 to RMB6.8 in 2010 to US\$1 to RMB6.2 in 2015 against the US\$; (ii) JPY1 to RMB0.08 in 2010 to JPY1 to RMB0.05 in 2015 against JPY; and (iii) HK\$1 to RMB0.87 in 2010 to HK\$1 to RMB0.79 in 2015 against HK\$. The ongoing RMB appreciation had reduced the competitiveness of Chinese knitwear products in the export market over the period from 2010 to 2015. However, in August 2015, the People's Bank of China devalued the RMB, which it claimed was the result of switching to a more market-oriented method of calculating the daily reference rate, which sets the value of the RMB. Please refer to the risk factor namely, "Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations" in the section headed "Risk Factors" to this prospectus for impacts of the fluctuation in the exchange rates of RMB against US\$ on the business of the Group.

**RMB to US\$/JPY/HK\$, 2010 – 2015**



*Source: Euromonitor International from national statistics*

As the majority of the Group's transactions are settled in US\$, HK\$, RMB and JPY, the Group does not consider the fluctuation in the exchange rates of Vietnamese Dong to be a material currency risk.

#### *VND Fluctuation*

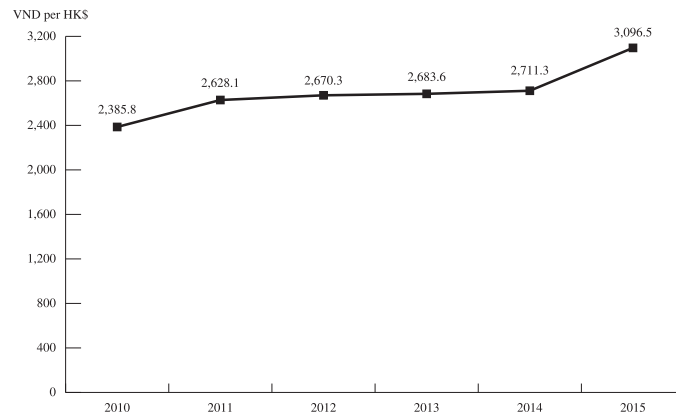
In order to curb Vietnam's trade deficit and to increase industrial production and exports at the time, the Vietnamese Government took extreme measures to devalue the VND by 7% against US\$ in 2011. This resulted in the corresponding devaluation of the VND against HK\$ by approximately 10.2%. Since then, there has not been any major shifts between VND and HK\$ with fluctuations ranging within 0.5% to 14.2% on a year-on-year basis.

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### VND to HK\$, 2010 – 2015



*Source: Oanda*

### **NO ADVERSE CHANGE**

The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have any material impact on the information in this section.

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## REGULATORY OVERVIEW

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*This section sets out summaries of certain aspects of the laws and regulations which are relevant to our Group's operation and business.*

### **PRC REGULATORY OVERVIEW**

Set out below is a brief overview of the significant aspects of the PRC laws and regulations relating to our business operations.

#### **Laws and regulations in relation to foreign investment in the PRC**

The incorporation, operation and management of corporate entities in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》) (the “Company law”), which was promulgated by the Standing Committee of the National People's Congress (the “SCNPC”) on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively. The Company Law has mainly stipulated two kinds of corporations — limited liability company and joint stock limited company. The Company Law shall also apply to foreign-invested limited liability companies, unless it is otherwise provided by the foreign investment laws.

The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labour matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the PRC Laws on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), which was promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementation Rules of the PRC Laws on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014.

Any investments in the PRC conducted by foreign investors and foreign enterprises shall be subject to the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “Catalog”), which was promulgated by the National Development and Reform Commission (the “NDRC”) and the MOFCOM on March 10, 2015 and became effective on April 10, 2015. The Catalog is a long-standing tool that PRC policy makers have used to manage and direct foreign investment. The Catalog divides industries into three basic categories: encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalog shall be classified as the permitted industries unless specifically barred in other PRC regulations.

#### **Laws and regulations in relation to processing trade in the PRC**

According to the Provisional Measures for the Management of Examination and Approval of Processing Trade (《加工貿易審批管理暫行辦法》) promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易與經濟合作部) on May 27, 1999 and effective as from June 1, 1999, operating enterprises (i.e. (i) import and export enterprises or foreign-invested enterprises responsible for signing importing or exporting contracts concerning processing trade; and (ii) processing and assembling companies licensed for processing trade business with imported materials and parts) dealing with processing trade shall apply to the

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## REGULATORY OVERVIEW

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competent Commerce Authority for approval. Processing trade, including Processing of Supplied Materials (來料加工) and Processing of Purchased Materials (進料加工), means the operation in which all or part of raw materials, accessories, spare parts, components, packing materials in bond are imported, and then processed or assembled by domestic enterprises into finished products for export. The State classifies processing trade import merchandise into prohibited category, restricted category and permitted category, and prohibits processing trade business involving imported materials and parts belonging to the prohibited merchandise category. An operating enterprise must process and export in accordance with a Processing Trade Business Approval Certificate (加工貿易業務批准證). If it is necessary to change some of the particulars of the project due to objective factors, the operating enterprise must report to the original examination and approval authority for its approval before the deadline specified in the Processing Trade Business Approval Certificate, and go through change-related formalities with the Customs.

Pursuant to the Notice of the State Council on the Implementation of Decision of the SCNPC on Authorising the State Council to Temporarily Adjust Certain Administrative Approval Items Prescribed in Laws in Guangdong Province (國務院關於執行《全國人民代表大會常務委員會關於授權國務院在廣東省暫時調整部分法律規定的行政審批的決定》的通知) (“Notice 9”) promulgated by the State Council of the PRC on January 13, 2013, the approvals of both the processing trade business and the domestic sales of the bonded imported materials or the exported-oriented manufactured goods of the processing trade business are ceased temporarily in Guangdong Province with a trial period of three years. To this end, the Bureau of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳) and Guangdong Sub-Administration of General Administration of Customs of the PRC (海關總署廣東分署) promulgated the Notice on the Implementation of the Relevant Works of MOFCOM and General Administration of Customs of the PRC on the Reformation of the Approval of Processing Trade in Guangdong Province (《廣東省外經貿廳海關總署廣東分署貫徹落實商務部海關總署關於廣東省加工貿易審批改革有關工作的通知》) (“Notice 68”) on August 8, 2013. According to Notice 68, enterprises in Guangdong Province should conduct the cargo filing procedure of processing trade business in customs with the Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise (《加工貿易企業經營狀況及生產能力證明》) issued by the competent Commerce Authority and relevant documents required by customs.

Pursuant to the Opinions on Promoting the Transformation and Upgrading of the Processing Trade (廣東省人民政府《關於促進加工貿易轉型升級的若干意見》) promulgated by People’s Government of Guangdong Province on September 9, 2008, People’s Government of the Guangdong Province encourages and supports those processing materials factories which line with the state industrial policy, to transform in situ into foreign-invested enterprises or other types of enterprises with qualification of independent legal person.

### **Laws and regulations in relation to import and export of goods**

Pursuant to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated on December 10, 2001, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) amended on April 6, 2004, the Customs Law of

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the PRC (《中華人民共和國海關法》) amended on December 28, 2013, the Measures for Record Filing and Registration by Foreign Trade Dealer (《對外貿易經營者備案登記辦法》) promulgated on June 25, 2004 by the MOFCOM, the Provisions of the Customs of the People's Republic of China on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated on March 13, 2014 by General Administration of Customs of the PRC (中華人民共和國海關總署), any foreign trade business operators engaging in the import or export of goods or technology shall go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM.

The consignor and consignee refer to the legal person, any other organisation or individual who directly engages in import or export of goods within the territory of the PRC. They shall register with the local customs authority. Unless otherwise provided, all imported and exported goods shall be declared, and the tariff arrangements shall be followed, by the consignor or consignee, or by a customs declaration enterprise entrusted by the consignor or consignee and approved by and registered with the customs authority. No enterprise or person can make declarations without registering with the customs or obtaining the relevant qualification for declaration in accordance with the laws. Currently, the main administrative measures that the PRC adopts to control export of goods include export quota, export licence, state-operated trade management and designated trade.

### **Laws and regulations in relation to foreign exchange**

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996, and was subsequently amended on January 14, 1997 and August 1, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), which was promulgated by the People's Bank of China on June 20, 1996 and became effective on July 1, 1996. Under these rules and other PRC rules and regulations on currency conversion, upon payment of the applicable taxes, foreign invested enterprises may convert the dividends they received in RMB into foreign currencies and remit such amount outside the PRC through their foreign exchange bank accounts. Generally, foreign invested enterprises may convert RMB into foreign currencies and remit them out of the PRC without the prior approval of SAFE under the two following circumstances: (a) when an enterprise needs to settle current account items in foreign currencies; and (b) when an enterprise needs to distribute dividends to its foreign shareholders.

Under other circumstances, including the settlement of capital account items, foreign invested enterprises are subject to the above administrative regulatory restrictions on foreign exchange, and must acquire prior approval from SAFE or its branches before converting RMB into foreign currencies.

According to the Notice of the State Administration of Foreign Exchange on the Reform of the Administration of Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by SAFE on

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March 30, 2015 and became effective on June 1, 2015, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise shall be used within the business scope as approved by relevant governmental authorities. Except foreign-invested real estate enterprises, no foreign invested enterprise shall use the RMB fund from the settlement of foreign currency capital to purchase domestic real estate for any purpose other than its own use. The RMB fund from the settlement of foreign currency capital shall not be used for any securities investment unless otherwise specifically provided for.

### **Laws and regulations in relation to taxation**

#### ***Enterprise Income Tax***

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was passed by the National People's Congress in China on March 16, 2007 and came into effect on January 1, 2008, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008 (collectively the "EIT Law"), enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or which are incorporated pursuant to the foreign laws with their "de facto management bodies" located in the PRC, are deemed "resident enterprise" and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("SAT Circular 698") issued by the SAT on December 10, 2009, with retroactive effect beginning January 1, 2008, and the Notice on Several Issues Concerning Enterprise Income Tax for Indirect Share Transfer by Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("SAT Circular 7") issued by the SAT on February 3, 2015, an "indirect transfer" of assets of a PRC resident enterprise, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterised and treated as a direct transfer of PRC taxable properties, if such transaction arrangement lacks of reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to SAT Circular 7, "PRC taxable properties" include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-

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PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining if there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the offshore enterprise shareholder; the business model and organisational structure; the offshore tax treatment on the indirect transfer of PRC taxable properties; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. The indirect transfer arrangement of the PRC taxable assets which meets the following three conditions shall be considered as having “reasonable commercial purposes”:

- (1) Relationship between transferor and transferee should meet one of the three conditions:
  - The transferor directly or indirectly holds 80% or more of the equity of the transferee;
  - The transferee directly or indirectly holds 80% or more of the equity of the transferor; and
  - 80% and above of the equity in transferor and transferee is directly or indirectly held by another party.

If more than 50% (excluding 50%) of the share value of the overseas enterprise directly or indirectly derives from immovable property in the PRC, the shareholding percentage for the three criteria above shall be 100%.

- (2) The tax on subsequent indirect transfers in the PRC will not be reduced, as compared with the situation where the current indirect transfer in question never took place.
- (3) The transferee uses equity consideration consisting entirely of its own shares (equity) or shares (equity) of another enterprise with which it has a shareholding relationship (excluding shares of listed enterprises).

In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and



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pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Currently, neither SAT Circular 698 nor SAT Circular 7 applies to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

According to the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》) (the “STA Rules”), business transactions between an enterprise and its related parties, shall follow the arm’s length principle. In case of a failure to follow such principle which results in a reduction of taxable income, the PRC tax authorities will have the right to make reasonable adjustments. According to the EIT Law, business transactions between related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the business transactions are conducted. If the relevant PRC tax authorities determine that the related party transactions have not been conducted on an arm’s length basis, they may adjust the taxable income through a transfer pricing adjustment and impose additional taxes on the relevant enterprises, as well as require payment of related interest accrued daily for the tax recovery period beginning from 1 June of the year subsequent to the applicable tax year to the date of payment of the additional taxes. The interest shall be computed at the RMB loan benchmark interest rate announced by the People’s Bank of China in the tax year in respect of the additional tax amount for the same period as the tax recovery period, plus five percentage points. The five percentage points could be waived if the taxpayer submits relevant materials (including the applicable contemporaneous documents) to the relevant PRC tax authorities pursuant to the STA Rules.

The EIT Law further provides that, where an enterprise submits to the tax authority its annual income tax return, it shall enclose a statement of its annual business transactions effected with its related parties.

In addition, pursuant to the STA Rules, PRC companies with annual related party transactions exceeding the prescribed thresholds are required to prepare contemporaneous transfer pricing documentation by the filing date of the annual enterprise income tax return, and must submit to the PRC tax authorities within 20 days upon request.

### ***Withholding Income Tax***

Pursuant to the EIT Law, dividends generated after January 1, 2008 and payable by a foreign invested enterprise in the PRC to its foreign investors are subject to a 10% withholding income tax, unless otherwise provided in the tax treaty concluded between the PRC and such foreign investor’s jurisdiction of incorporation.

Pursuant to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Tax Treaty”) concluded on August 21, 2006, the applicable withholding income tax rate for any dividends declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital. According to the

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Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), or the 2015 Administration Measures, which was promulgated by the SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe.

### *Value-Added Tax*

Pursuant to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was amended by the State Council on November 10, 2008 and became effective on January 1, 2009, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was amended by the Ministry of Finance of the PRC (中華人民共和國財政部) and SAT on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services and importation of goods within the territory of the PRC are subject to the payment of value-added tax (the “VAT”). The VAT payable is calculated as “output VAT” minus “input VAT” and the VAT rate is 17% or in certain limited circumstances 13%, depending on the products, except for a small-scale taxpayer under the Interim Regulations on Value-added Tax of the PRC.

### *Urban Maintenance and Construction Tax and Education Surtax*

Pursuant to the Circular of the State Council on Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) promulgated on October 18, 2010 and the Interim Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, all organisations and individuals liable to consumption tax, value-added tax and business tax within the PRC shall also be required to pay urban maintenance and construction tax. Urban maintenance and construction tax shall be based on the amount of consumption tax, value added tax and business tax

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actually paid by the taxpayer and shall be levied simultaneously. The rate of urban maintenance and construction tax shall be 7% for the taxpayer in the city, and shall be 5% for the taxpayer in the county or town, and shall be 1% for the taxpayer not in the city, county or town.

Pursuant to the Tentative Provisions on Levy of Educational Surtax (《徵收教育費附加的暫行規定》) promulgated on April 28, 1986 and last amended on January 8, 2011, unless those entities pay rural educational surtax in accordance with the Circular of the State Council on Raising Education Funds for Rural School (《國務院關於籌措農村學校辦學經費的通知》), any other entities or individuals liable for consumption tax, value added tax and business tax shall also be required to pay educational surtax. The educational surtax rate is 3%, and the educational surtax shall be based on the amount of consumption tax, value added tax and business tax actually paid by the taxpayer and shall be levied simultaneously.

### **Laws and regulations in relation to environmental protection**

The PRC Government has formulated and implemented various environmental protection laws and regulations, including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on Prevention and Control of Environment Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the PRC Law on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and Regulations on the Administration of Environmental Protection of Project Construction (《建設項目環境保護管理條例》), etc.

Pursuant to PRC environmental laws and regulations, the PRC has established an environmental impact assessment system for project construction, and the construction, expansion and operation of bedding 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 relevant PRC environmental protection laws 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, at its discretion, shut down any facility that fails to comply with the environmental protection laws and regulations.

### **Laws and regulations in relation to labour law and social security**

Enterprises in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) (the “PRC Labour Law”), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the “Labour Contract Law”) and the Implementations Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》), as well as other related regulations, rules and provisions issued by

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the relevant governmental authorities from time to time. According to the Labour Contract Law which became effective on 1 January 2008, and amended on 28 December 2012 with the amendment taking effect on 1 July 2013, enterprises established in PRC shall enter into employment agreements with their employees, in which the term of the employment agreement, job duties, working hours, rest and leave, social insurance, labour compensation, labour protection, working conditions and protection against occupational hazards shall be provided for. Both employer and employee shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination. Except in the situations explicitly stipulated in the Labour Contract Law which will not be subject to economic compensation, economic compensation shall be paid to the employee by the employer for the illegally rescission or termination of the employment agreement.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the PRC on October 28, 2010 and became effective on July 1, 2011 and the Provisions on Implementing the Social Insurance Law of the PRC (實施《中華人民共和國社會保險法》若干規定) promulgated by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) on June 29, 2011 which became effective on July 1, 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth.

Employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled after July 1, 2011, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment. Employers shall not require employees to pay for the said surcharge.

Pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and became effective on the same day and as amended on March 24, 2002, employers shall go through housing provident funds registration with the local housing fund administration center and open housing fund accounts for their employees in the bank. Failure to handle abovementioned registration and accounts opening, an employer may be subject to being ordered to handling within a time limit. If the employer fails to handle within the prescribed time limit, it shall be imposed the penalty ranging from RMB 10,000 to RMB 50,000. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

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Pursuant to the Regulation on Labour and Social Security Inspection (《勞動保障監察條例》) promulgated by the State Council on November 1, 2004 and became effective on December 1, 2004, and Administrative Penalty Law of the PRC (《中華人民共和國行政處罰法》) promulgated by the National People's Congress on March 17, 1996 and became effective on October 1, 1996, where an act of violating labour security laws, regulations or rules is neither found by the labour security administration nor reported or complained by others within 2 years, the labour security administration shall no longer investigate it. The period prescribed above shall be counted from the date on which the violation of the law, regulation or rule on labour and social security is committed. However, if the violation is of a continuous or continual nature, it shall be counted from the date on which such a violation is terminated or fully rectified.

### **Laws in relation to production safety**

Pursuant to the PRC Production Safety Law (《中華人民共和國安全生產法》) which was promulgated on June 29, 2002 and amended on August 27, 2009 and August 31, 2014, the State Administration of Work Safety (國家安全生產監督管理總局) is in charge of the overall administration of production safety. The PRC Production Safety Law provides that any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and national or industry standards. The entity engaging in manufacturing must install prominent warning signs at or on the relevant dangerous operation site, facility and equipment. The design, production, installation, use, testing, maintenance, upgrade and disposal of safety equipment must comply with national and industry standards.

### **Laws and regulations in relation to product liability**

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), promulgated on April 12, 1986 and amended on August 27, 2009, a defective product which causes property damage or physical injury to any person could subject the manufacturer or seller of such product to civil liability for such damage or injury. In the event that the carrier or warehouseman is responsible for the damage or injury, the manufacturer or seller is entitled to demand compensation for its losses.

Furthermore, the General Principles of the Civil Laws of the PRC was supplemented by the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and amended on July 8, 2000 and August 27, 2009 respectively, and the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) promulgated on October 31, 1993 and amended on August 27, 2009 to protect the legitimate rights and interests of end-users and strengthen the supervision and control of the quality of products. If the product sold is sub-standard but not defective, the retailer will be responsible for the repair, exchange, or refund of the sub-standard product and for the compensation to the consumer for its losses (if any). In addition, the manufacturer is liable for the sub-standard product. The retailer is entitled to claim reimbursement from the manufacturer for the compensation paid by the retailer to the consumer. If the product is defective and has caused personal injury or damage to assets, the

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consumer has the option to claim compensation from either the manufacturer, or the distributor or the retailer. A retailer or distributor who has already compensated the consumer is entitled to claim reimbursement from the liable manufacturer.

Moreover, the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated on December 26, 2009 and effective on July 1, 2010, further provides that where a defective product causes damage or physical injury to any person, the victim may claim compensation from either the manufacturer or the seller. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the retailer shall be entitled to claim reimbursement from the manufacturer. If the product defect is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to claim reimbursement from the seller.

### VIETNAM REGULATORY OVERVIEW

The following sets forth significant aspects of Vietnamese laws relating to our operations in Vietnam. First Team (Vietnam) is our subsidiary in Vietnam which owns the Vietnam Factory and hires our employees there.

#### Foreign Investment

The new investment regime (comprising Vietnam's Investment Law No. 67/2014/QH13 and the Vietnam's Enterprise Law No. 68/2014/QH13) came into effect from 1 July 2015 and replaces the Investment Law No. 59/2005/QH11 and the Enterprises Law No. 60/2005/QH11.

Generally, in order to invest in and establish an enterprise in Vietnam, foreign investors are required to obtain an investment (registration) certificate and an enterprise registration certificate from licensing authorities. During the operation, any changes to the contents of the investment (registration) certificate or enterprise registration certificate of the enterprise must be registered with the licensing authorities and an amended certificate obtained.

Capital contribution into Vietnam by foreign investors shall need to comply with the content of the investment (registration) certificate and the relevant regulatory timeline. According to the investment (registration) certificate of First Team (Vietnam) dated 4 November 2014, its foreign investor has 36 months from the date of the investment (registration) certificate to fully contribute the required amount of capital of USD28 million under such certificate. First Team (Vietnam) has amended the investment (registration) certificate to increase the charter capital to US\$60 million. According to the amended investment (registration) certificate dated 23 December 2015, its foreign investor commits to contribute USD60 million within 90 days from 23 December 2015. After a foreign invested enterprise has fully discharged its financial obligations to the Vietnamese Government including payment of tax (mainly corporate income tax, value added tax and business licence tax, if any) and any regulatory fees (e.g. environmental protection fee) due and payable, and provided that it has no accumulated losses, such foreign investor is permitted to remit out of Vietnam the invested capital, proceeds from liquidation of its investment, the income derived from business investment activities, and other monies and assets lawfully owned by such investor. Since its incorporation, First Team (Vietnam) has not remitted dividends out of Vietnam. However, as and



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when the operations of First Team (Vietnam) mature and subject to the applicable laws at the time, First Team (Vietnam) has to fully discharge its financial obligations to the Vietnamese Government before it may remit dividends in the future. First Team (Vietnam) was established in 2014 and during the Track Record Period, it was in a loss position and has been exempted from paying corporate income tax for the calendar years 2014 and 2015. As at the Latest Practicable Date, our Directors confirm that First Team (Vietnam) has fully discharged its tax liabilities and believe that they have paid all other material regulatory fees.

Foreign investors such as First Team (HK) and their Vietnam owned affiliates such as First Team (Vietnam) that have been licensed and registered under investment laws which are then subsequently supplemented with new investment laws are not required to undergo the licensing procedures contemplated under a regime of new investment laws. A foreign invested enterprise in Vietnam is required to submit to the relevant authorities certain periodical reports relating to its business operation and investment activities.

Vietnam's Investment Law No. 67/2014/QH13 dated 1 July 2015 only sets out the principles of investment protection applicable to investors doing business in Vietnam but does not provide any specific investment incentives. In the event that any new specific laws are issued and provide for better incentives after an investor's initial investment, the investor is entitled to take advantage of such new incentives. On the other hand, in case that any new specific laws are issued and provide for less incentives than before, investors are entitled to the incentives granted at time of their investment unless there are policy objections by reason of national defence and security, social order and safety, social morals, health of the community or environmental protection. In such cases where policy considerations require the investor to give up some of the incentives previously accorded to it, investors are entitled to one or several of the following measures, which are subject to written petitions of the investors within three years from the effective date of the newly promulgated laws triggering such measures:

- deduction of actual losses from taxable incomes;
- adjustment of operation objectives of projects; or
- assistance for investors to rectify losses.

### **Land Law**

The Land Law 2013 which took effect from 1 July 2014 sets out, among others, the regime for land management and usage, the rights and obligations of land users.

Land belongs to the people of Vietnam and is administered by the State. Private freehold ownership is not available in Vietnam but land users have legal rights to use land and are granted with land use right certificates. Land use rights are determined by reference to the category of land use purposes and the type of land user.



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A foreign invested enterprise can obtain land use rights by way of:

- leasing from the State or industrial zone developers; or
- receiving land allocation from the State for residential development; or
- entering into a joint venture company with a Vietnamese party, who contributed land use rights as its capital contribution; or
- taking an assignment of a licensed development project from other investors including the land use rights assignment.

### **Export Processing Enterprise**

A company that is qualified as an export processing enterprise shall be entitled to certain incentives and benefits under Vietnam laws.

Export processing enterprises are enterprises set up and operating in export processing zones or enterprises operating in industrial zones or economic zones and which export all of their products. The status of an export processing enterprise must be recorded in the investment certificate.

### **Environmental Protection**

The Law on Environmental Protection 2014 came into effect from 1 January 2015 and replaced the Law on Environmental Protection 2005. Certificates and licences issued under the Law on Environmental Protection 2005 remain effective until their expiry.

An enterprise's operations in Vietnam are subject to the requirements of an environmental impact assessment report ("EIAR") if it falls into certain cases set out by laws. Decision approving the EIAR is a basis for the State authority to issue a construction licence for the project. An enterprise must comply with the approved EIAR during its operation. Critical changes to the approved EIAR require re-compliance with EIAR.

Prior to any actual operations of an enterprise in Vietnam, it must satisfy all the requirements set out in the EIAR and, as applicable, secure the certificate of satisfaction of the approved EIAR. It is required under Vietnamese laws that any changes to, among others, the scale and scope of an enterprise under the approved EIAR must be either reported in writing to Provincial People's Committee or a new EIAR in certain circumstances. Any such changes are only permitted for operations following a written permission from the authorities.

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### **Hazardous Waste Management**

Generally, an enterprise needs to obtain a registration book of hazardous waste generated if it regularly generates certain hazardous waste with quantities reaching regulatory thresholds. In the event that the enterprise does not have facilities to treat its hazardous waste, it must engage a service provider which has been licensed to perform the necessary treatment on a contractual basis.

### **Fire Prevention**

Organisations considered as prone to fire and explosion are required to take out compulsory fire and explosion insurance for, among other things, their construction works and equipment.

Design of the fire prevention and fighting systems of certain establishments falling into the mandatory list must be examined and approved by the local fire prevention and fighting public security before commencement of construction or renovation.

Upon completing construction and before putting the construction works into use, the enterprise must have such fire prevention and fighting systems examined and accepted by the State authority and depending on the scale and nature of the construction works, prepare and/or submit for approval its written commitment on satisfaction of fire prevention and fighting safety conditions and a fire-fighting plan. The State authority may conduct quarterly, bi-annual, annual or ad hoc inspections on fire prevention and fire fighting systems.

### **Employment**

The Labour Code 2012 regulates, among others, the rights, obligations and responsibilities of employees, employers.

#### ***Labour Contract***

A labour contract can only be one of the following types: (i) an indefinite term labour contract, (ii) a definite term labour contract between full 12 months and 36 months, or (iii) a seasonal or specific job labour contract with a term of less than 12 months.

The signed labour contract can be terminated under the circumstances specified under the laws. In the event of unilateral termination, the terminating party is required to follow the procedures and conditions specified under the relevant laws, such as dismissal of employee or retirement.

#### ***Salary and Working Hours***

Salary includes wage rates for the work or position plus allowances and other additional benefits. The wage rate of an employee must not be lower than the minimum wage rate stipulated by the Vietnamese Government from time to time. As at the Latest Practicable Date, the minimum wage rate in Trang Bang District, Tay Ninh Province was VND3.1 million (approximately USD151) per month.

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## REGULATORY OVERVIEW

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Normal working hours must not exceed eight hours in one day and 48 hours in one week under the normal working hour regime. Employers are only allowed to require employees to work overtime with their agreements and following the mandatory conditions set out under the laws. Employees are entitled to overtime wages in accordance with the laws.

### ***Trade Union***

In general, a directly superior trade union such as provincial or municipal trade union will have the right to establish a trade union at an enterprise and the enterprise must facilitate the establishment and operation of the trade union.

The main function of a trade union is to represent and protect employees' legal rights and interests. Most decisions relating to employee benefits require involvement of the trade union, such as negotiation and execution of a collective labour agreement, decisions regarding labour discipline.

### ***Labour Safety and Hygiene***

Employers and employees are subject to various requirements on labour safety and hygiene at the work place such as periodic test of machinery, equipment and materials with strict requirements on labour safety, securing personal protective facilities for employees, training classes on labour safety and hygiene, and periodic health checks.

### ***Internal Labour Regulations***

An employer employing 10 or more employees must have internal labour regulations in writing. The employer must consult the contents of the internal labour regulations with the executive committee of the competent labour union before issuing, and the main contents of the regulations must be posted at necessary locations at the workplace. The internal labour regulations must be registered with the State authority.

### ***Statutory Insurance (Social Security)***

Employers and employees must participate in statutory insurances, including social insurance, health insurance and unemployment insurance, as the case may be, and are entitled to the regimes as stipulated under the laws. In the case of employees who are ineligible to participate in statutory insurances, the employer must pay such employees, in addition to their wages for work, a sum of money equivalent to the amount of the contribution which would be paid for statutory insurances if the employee had been eligible simultaneously with wage payments.

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## REGULATORY OVERVIEW

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The employer and its employees are required to make the following contributions to the State social insurance schemes (including social, health and unemployment insurance) based on the wages recorded in the labour contracts:

	<u>Social Insurance</u>	<u>Health Insurance</u>	<u>Unemployment Insurance</u>
Employer	18%	3%	1%
Employee	8%	1.5%	1%

### *Foreign Employees*

Except for particular limited exemptions provided under the laws of Vietnam, an employee working in Vietnam and not being a Vietnamese must have work permits before he/she starts working in Vietnam. The work permit is valid for a maximum of two years.

### **Chemical-related incident prevention and response**

Organizations and individuals engaged in chemical-related activities shall abide by, among others, technical regulations on safety and provide periodical training in chemical safety to employees. Depending on the types of chemicals used, companies must prepare measures or plans for chemical-related incident prevention and response. Chemical-related incident prevention and response measures are subject to certification of the relevant State authority and chemical-related incident prevention and response plan are subject to approval of relevant State authority. In addition, leaders and managers of departments directly engaged in chemical-related activities as well as employees directly engaged in production, trading, transportation, storage, preservation and use of chemicals must attend training on chemical safety techniques and obtain relevant certificates.

### **Taxation**

A foreign invested enterprise, being an export processing enterprise, is mainly subject to the following taxes:

- (a) Corporate Income Tax (“CIT”)

CIT will be imposed on a foreign invested enterprise’s income at the rate of 20%.

A foreign invested enterprise may be entitled to the CIT incentives (comprising of preferential rate, CIT exemption and reduction) provided under its investment certificate. After a foreign invested enterprise fully pays CIT for its taxable incomes, the profits of a foreign invested enterprise to be distributed will not be subject to any tax in Vietnam.

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## REGULATORY OVERVIEW

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(b) Value Added Tax

Goods exported by a foreign invested enterprise will be exempted from the value added tax.

(c) Business Licence Tax

A foreign invested enterprise shall pay this tax on an annual basis, currently at the maximum rate of VND 3 million (about USD150) depending on its registered investment capital.

(d) Duties

No import or export duty will apply to the assets and properties which are to be imported from outside Vietnam for use within the export processing enterprise, or to be exported offshore by such enterprise.

(e) Transfer pricing

Circular 66/2010/TT-BTC, issued by the Ministry of Finance, provides guidelines on the calculation of arm's length prices in business transaction between affiliated parties. In addition, Form GCN-01/QLT (applicable from 2010 to 2013) and Form 03-7/TNDN (applicable from tax year commencing 1 January 2014 onwards), which is to be completed and filed with the annual corporate income tax return, requires the taxpayer to disclose the information of its related party transactions, and also requires the taxpayer to self-assess the arm's-length nature of its related party transactions.

Pursuant to Circular 66/2010/TT-BTC, contemporaneous transfer pricing documentation is required for all related party transactions. However, there is no prescribed period when the transfer pricing documentation must be prepared but it is advisable to have in place such a study, prior to submitting tax returns which have related party transactions. Transfer pricing documentation must be submitted within 30 working days upon the date of receipt of the tax authorities' written request.

In case of transfer pricing audit and an adjustment is sustained, underpayment penalties being 20% of the shortfall amount, associated with late payment interest charges of 0.05% per day on overdue tax of up to 90 days and 0.07% per day on overdue tax of over 90 days or evasion penalties (from one to three times the tax liability amount) apply, depending on the nature of the offences and circumstances.

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## REGULATORY OVERVIEW

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### Foreign Exchange Control

An enterprise with foreign direct investment must open a direct investment capital account (“DICA”) at one credit institution licensed to operate in Vietnam. Payment of investment capital, remittance of principal investment capital, profit and other lawful revenue must be conducted via this DICA. DICA will be opened in the currency that investor selects to make contribution into the foreign-invested enterprise.

Loans with offshore lender with the total term of more than one year must be registered with the State Bank of Vietnam.

### HONG KONG REGULATORY OVERVIEW

The following set forth significant aspects of Hong Kong laws relating to our subsidiaries in Hong Kong.

#### Taxation

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”) contains the provisions relevant to pricing for intra-group transactions and the comprehensive double taxation agreements (the “DTAs”). The DTAs contain provisions which require the adoption of the arm’s length principle for pricing transactions between associated enterprises. The arm’s length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm’s length principle had been applied instead of the actual price transacted between the enterprises.

The existence of a DTA however is not a prerequisite for making intra-group transaction price adjustments. Where the circumstances warrant, adjustment may be made to transactions, domestic or otherwise, under the provisions of the IRO. In March 2012, the Inland Revenue Department published Departmental Interpretation and Practice Notes No. 48, which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the Inland Revenue Department of Hong Kong.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 August 2015. Pursuant to the Reorganisation, as more particularly described in the paragraph headed “— Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing.

Mr. Wong Ting Chung is our chairman, chief executive officer and one of our executive Directors. Prior to the establishment of Nameson Industrial, he set up his business in 1982 through Hang Cheong Knitting Factory\* (恒昌織造廠), a factory engaged in the production of knitwear. Nameson Industrial’s historical roots can be traced back to 1990 when it was established to primarily engage in knitwear production in Hong Kong. Its founders were Mr. Wong Ting Chung, one of our executive Directors, Mr. Wong Ting Kau, one of our non-executive Directors, and an Independent Third Party. They were all self-made entrepreneurs who funded their initial investments by way of loans and personal resources.

### OUR BUSINESS MILESTONES

The following table sets forth some major milestones and achievements in our business development up to the Latest Practicable Date:

<b>Time</b>	<b>Event</b>
1990	Nameson Industrial was established by Mr. Wong Ting Chung, Mr. Wong Ting Kau and an Independent Third Party.
1990	We commenced production at our production plant in Hong Kong.
1995	We commenced sales to UNIQLO.
2000	We commenced production at our production plant in Osaka, Japan with fully-automated knitting machines, because there was no quota restrictions on textile products trading in Japan whilst textiles products trading in Hong Kong was subject to quota restrictions.
2001	We commenced sales to Tommy Hilfiger.
2003	We started to replace all our manual knitting machines in all our production plants in the PRC with fully-automated knitting machines sourced from Japanese and German manufacturers.
2005	We closed down our production plant in Osaka, Japan and in turn expanded our production line at our production plant in Hong Kong as the quota restrictions of Hong Kong exports of textiles products were abolished on 1 January 2005.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Time	Event
2006	We set up cashmere spinning mill in the PRC.
2008	We consolidated our production lines in Hong Kong and in the PRC to our PRC Factory.
2015	We commenced production in our production plant in Vietnam (i.e. the Vietnam Factory).

### OUR CORPORATE DEVELOPMENT

We set out below the corporate history and shareholding changes of significant subsidiaries of our Group.

#### Nameson Industrial

Nameson Industrial was incorporated in Hong Kong on 25 May 1990 and is principally engaged in the manufacturing of knitwear products in Hong Kong. Nameson Industrial, accounted for 74.1%, 73.1%, 54.1% and 44.7% of the Group's revenue for the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015.

Its initial authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and one subscriber share was issued and allotted at par to two Independent Third Parties as at the date of its incorporation. The authorised share capital of Nameson Industrial was subsequently increased to HK\$1,500,000 divided into 1,500,000 shares of HK\$1.00 each on 10 September 1990 and additional 499,999, 499,999 and 500,000 shares were allotted to Mr. Law Kam Chuen (羅錦泉), Mr. Wong Ting Chung and Mr. Wong Ting Kau, respectively. Mr. Law Kam Chuen is an Independent Third Party. On 12 September 1990, Mr. Law Kam Chuen and Mr. Wong Ting Chung each acquired a subscriber share for a nominal consideration of HK\$1.00. Upon completion of share transfer, Nameson Industrial came to be owned as to 33.3% by Mr. Law Kam Chuen, 33.3% by Mr. Wong Ting Chung and 33.3% by Mr. Wong Ting Kau. On 15 October 2001, the authorised share capital of Nameson Industrial was increased to HK\$3,000,000 divided to 3,000,000 shares of HK\$1.00 each and additional 500,000, 500,000 and 500,000 shares were allotted to Mr. Law Kam Chuen, Mr. Wong Ting Chung and Mr. Wong Ting Chun. Upon completion of such allotment, Nameson Industrial was owned as to 16.7% by Mr. Wong Ting Kau, 16.7% by Mr. Wong Ting Chun, 33.3% by Mr. Law Kam Chuen and 33.3% by Mr. Wong Ting Chung.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 10 November 2003, Mr. Law Kam Chuen transferred 500,000, 250,000 and 250,000 shares of Nameson Industrial to Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun at a total consideration of HK\$31,500,000, HK\$15,750,000 and HK\$15,750,000, respectively, which was determined based on arm's length negotiation between the parties having regard to the then net asset value of Nameson Industrial. Upon completion of share transfers, Nameson Industrial was owned as to 25% by Mr. Wong Ting Kau, 25% by Mr. Wong Ting Chun and 50% by Mr. Wong Ting Chung.

On 31 December 2004, Nameson Group acquired 1,500,000, 750,000 and 750,000 shares of Nameson Industrial from Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun at a total consideration of HK\$1,500,000, HK\$750,000 and HK\$750,000, respectively, which was determined based on the nominal value of the total issued share capital of Nameson Industrial. Upon completion of such share transfer, Nameson Industrial became a wholly-owned subsidiary of Nameson Group.

### **Nanxuan Knitting**

Nanxuan Knitting was established in the PRC on 8 December 2000 as a limited liability company with an initial registered capital of US\$25,000,000 (approximately HK\$193.8 million) and was wholly owned by Nameson Industrial as at the date of its establishment. Nanxuan Knitting is principally engaged in the manufacture of knitwear products. Nanxuan Knitting is the holder of our PRC Factory. For further details about the PRC Factory, please refer to Appendix III of this prospectus which sets out the Property Valuation Report.

On 23 March 2006, Nameson Industrial transferred the entire equity interest in Nanxuan Knitting to Nameson Group at a total consideration of US\$25,000,000 (approximately HK\$193.8 million), which was determined based on the then paid up capital of Nanxuan Knitting and this has been fully paid. Upon completion of the above equity transfers, Nanxuan Knitting was wholly owned by Nameson Group. In September 2008, the registered capital of Nanxuan Knitting was increased to US\$35,000,000 (approximately HK\$271.3 million) in anticipation of additional capital required for the injection of additional knitting machines. In June 2011, as a result of our redirecting the capital injection of knitting machines into Huizhou Liyun, another member of our Group, the plans for additional knitting machines into Nanxuan Knitting was reduced, and accordingly, the registered capital of Nanxuan Knitting was decreased to US\$30,000,000 (approximately HK\$232.5 million).

### **Huizhou Liyun**

Huizhou Liyun was established in the PRC on 27 September 2002 as a limited liability company with an initial registered capital of HK\$30,000,000 and was wholly owned by Winner Way as at the date of its establishment. Huizhou Liyun is principally engaged in the manufacture of knitwear products and, together with Nanxuan Knitting, accounts for more than half of the production of our PRC Factory.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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In October 2003, the registered capital of Huizhou Liyun was increased to HK\$68,000,000 for the expansion of its business. In January 2008, Winner Way transferred the entire equity interest in Huizhou Liyun to Nameson BVI at a total consideration of HK\$68,000,000, which was determined based on the then paid up capital of Huizhou Liyun and this has been fully paid. Upon completion of the above equity transfers, Huizhou Liyun was wholly owned by Nameson BVI. From December 2009 to April 2013, subsequent to a series of capital injection by Nameson BVI, the registered capital of Huizhou Liyun was increased from HK\$68,000,000 to HK\$351,300,000.

### **First Team (Vietnam)**

First Team (Vietnam) was established in Vietnam on 14 March 2014 as a limited liability company with an initial charter capital of US\$28,000,000 (approximately HK\$217 million) and wholly owned by First Team (HK) as at the date of its establishment. First Team (Vietnam) is principally engaged in the production of knitted and nonwoven fabric, clothing, plastic bags and carton boxes and the printing on carton and nylon products. First Team (Vietnam) is the holder of our Vietnam Factory. This is the first factory that we have established in Southeast Asia. On 23 December 2015, the charter capital of First Team (Vietnam) was increased to US\$60,000,000 (approximately HK\$465 million) for the development of the second phase of our Vietnam Factory.

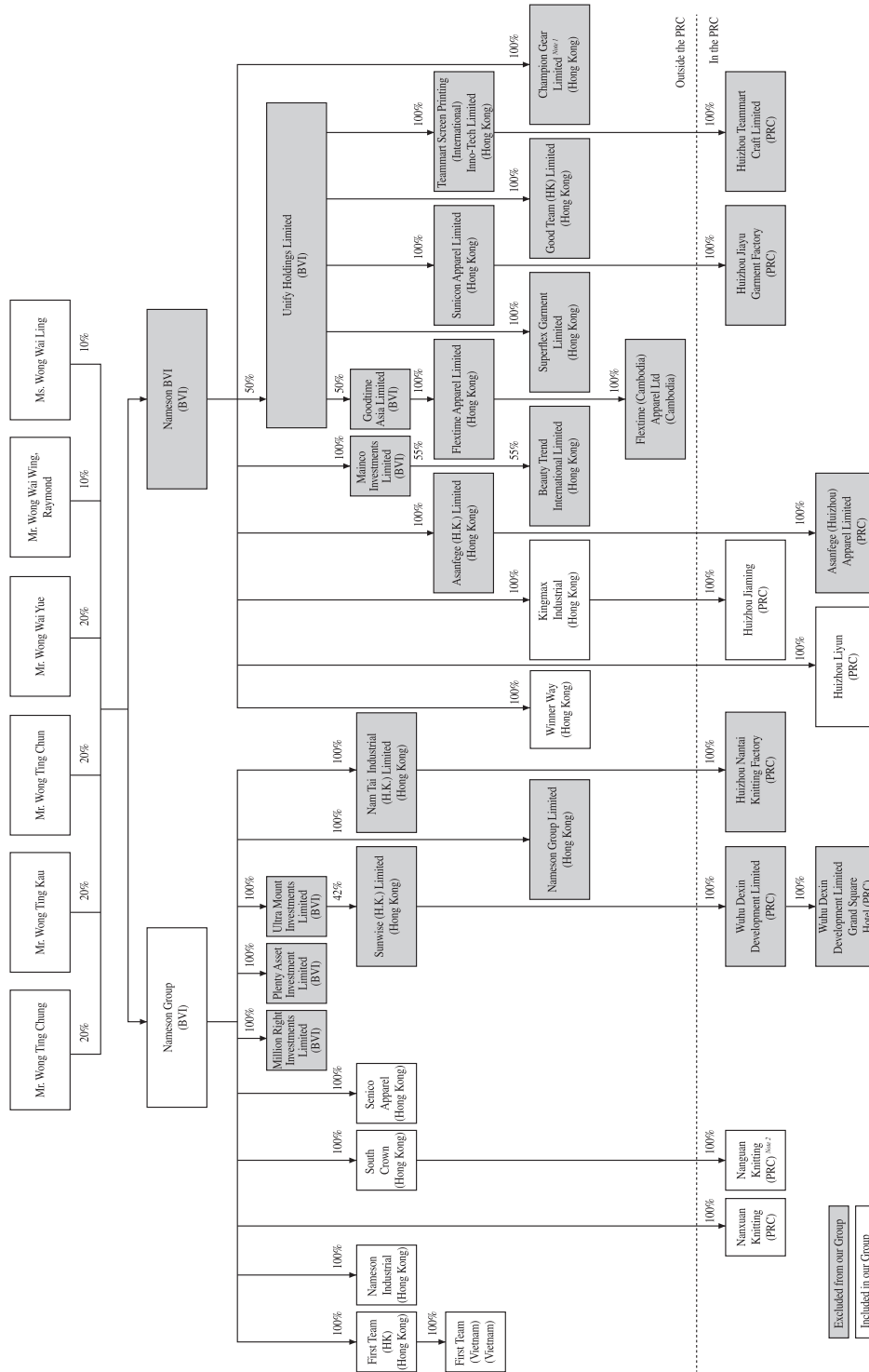
### **REORGANISATION**

In February 2015, we commenced the Reorganisation in preparation for the Global Offering. Prior to the Reorganisation, various companies comprising our Group were held by Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling directly and through two BVI holding companies, namely Nameson Group and Nameson BVI.

To facilitate the listing of our business in knitwear manufacture, the businesses owned by our Controlling Shareholders and not related to our principal business were excluded from our Group as part of the Reorganisation.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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*Notes:*

- (1) Champion Gear Limited was formerly named Nameson Holdings Limited and has changed its name on 17 September 2015.
- (2) Nanguan Knitting was registered as a processing materials factory since 2006 with a business license valid until March 2026. Pursuant to the relevant PRC regulations, the PRC Government encourages and supports those processing materials factories to transform into foreign-invested enterprises or other types of enterprises with qualification of independent legal person but this is not a mandatory requirement, and no specific time frame for such transformation is required to be done. For details, please refer to the section headed “Regulatory Overview — PRC Regulatory Overview” in this prospectus. Our Directors confirm that currently there is no intention for Nanguan Knitting to undergo such transformation. However, our Directors may choose to cause Nanguan Knitting to undergo such transformation prior to the expiry of its business licence i.e. March 2026. Our PRC legal advisers advised that there will be no substantial legal obstacles if Nanguan Knitting undergoes such transformation and becomes a foreign-invested enterprise or other types of enterprises with independent legal status. Accordingly, our Directors believe that such transformation will not result in any material and adverse impact on our operations.

### **The incorporation of Nameson Investments and Winnermax**

#### **(a) *Nameson Investments***

Nameson Investments was incorporated in the BVI on 18 February 2015. As at the date of incorporation, the issued share capital of Nameson Investments was US\$10 divided into 10 shares of US\$1 each, among which two shares were issued to Mr. Wong Ting Chung at a consideration of US\$2; two shares were issued to Mr. Wong Ting Kau at a consideration of US\$2; two shares were issued to Mr. Wong Ting Chun at a consideration of US\$2; two shares were issued to Mr. Wong Wai Yue at a consideration of US\$2; one share was issued to Mr. Wong Wai Wing, Raymond at a consideration of US\$1; and one share was issued to Ms. Wong Wai Ling at a consideration of US\$1.

#### **(b) *Winnermax***

Winnermax was incorporated in the BVI on 12 March 2015. As at the date of incorporation, the issued share capital of Winnermax was US\$10 divided into 10 shares of US\$1 each, among which two shares were issued to Mr. Wong Ting Chung at a consideration of US\$2; two shares were issued to Mr. Wong Ting Kau at a consideration of US\$2; two shares were issued to Mr. Wong Ting Chun at a consideration of US\$2; two shares were issued to Mr. Wong Wai Yue at a consideration of US\$2; one share was issued to Mr. Wong Wai Wing, Raymond at a consideration of US\$1; and one share was issued to Ms. Wong Wai Ling at a consideration of US\$1.

### **The incorporation of Happy Family BVI and the establishment of the Happy Family Trust**

Happy Family BVI was incorporated in the BVI on 23 February 2015. As at the date of incorporation, 10,000 shares were issued to East Asia International Trustees Limited (the “Trustee”) at a consideration of US\$10,000.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The Happy Family Trust, a trust, was established on 1 June 2015 by Mr. Wong Ting Chung as the settlor, with the Trustee acting as the trustee, for the purpose of estate planning.

Pursuant to the Happy Family Trust, the Trustee agreed to hold the entire issued share capital in Happy Family BVI as trustee for the benefit of Mr. Wong Ting Chung and certain family members of Mr. Wong Ting Chung.

At the direction of the Trustee:

- (i) on 1 June 2015, Happy Family BVI acquired two shares of Nameson Investments from Mr. Wong Ting Chung by way of gift; two shares of Nameson Investments from Mr. Wong Ting Kau by way of gift; two shares of Nameson Investments from Mr. Wong Ting Chun by way of gift; two shares of Nameson Investments from Mr. Wong Wai Yue by way of gift; one share of Nameson Investments from Mr. Wong Wai Wing, Raymond by way of gift; and one share of Nameson Investments from Ms. Wong Wai Ling by way of gift. After completion of the aforementioned acquisitions, Happy Family BVI held the entire issued share capital of Nameson Investments.
- (ii) on 1 June 2015, Happy Family BVI acquired two shares of Winnermax from Mr. Wong Ting Chung by way of gift; two shares of Winnermax from Mr. Wong Ting Kau by way of gift; two shares of Winnermax from Mr. Wong Ting Chun by way of gift; two shares of Winnermax from Mr. Wong Wai Yue by way of gift; one share of Winnermax from Mr. Wong Wai Wing, Raymond by way of gift; and one share of Winnermax from Ms. Wong Wai Ling by way of gift. After completion of the aforementioned acquisitions, Happy Family BVI held the entire issued share capital of Winnermax.

### **The incorporation of our Company and Hanyi Investments**

#### **(a) *Our Company***

Our Company was incorporated in the Cayman Islands as an exempted company on 11 August 2015. As at the date of incorporation, the authorised share capital of our Company was HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each, among which one share was issued to an Independent Third Party at par value and transferred to Nameson Investments on the same day at par value.

#### **(b) *Hanyi Investments***

Hanyi Investments was incorporated in the BVI on 6 July 2015. As at the date of incorporation, the authorised share capital of Hanyi Investments was US\$50,000 divided into 50,000 shares of US\$1 each, among which one share was issued to Winnermax at par value.

### **The acquisition of Nameson Group by our Company**

On 1 December 2015, each of Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling transferred 20%, 20%, 20%, 20%, 10% and 10% shareholding in Nameson Group respectively, to our Company at a consideration of HK\$124,600,000, HK\$124,600,000, HK\$124,600,000, HK\$124,600,000, HK\$62,300,000 and HK\$62,300,000 respectively and in aggregate HK\$623,000,000. The consideration was determined having regard to the then net asset value of Nameson Group and its subsidiaries as at 30 September 2015 and assuming completion of the acquisition of Senico Industrial and the disposal of excluded business.

The consideration was fully settled by our Company issuing to Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling a non-interest bearing promissory note dated 1 December 2015 in principal amount equal to the corresponding amounts of consideration due to the respective transferors and being in aggregate HK\$623,000,000.

On 2 December 2015, Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling assigned all their rights and interests in the promissory note to Nameson Investments at a consideration of HK\$623,000,000, which was settled by Nameson Investments issuing another non-interest bearing promissory note dated 2 December 2015 of the same principal amount to Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling. As a result of the assignment, (i) our Company was indebted to Nameson Investments in the amount of HK\$623,000,000; and (ii) Nameson Investments was indebted to Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling in the aggregate amount of HK\$623,000,000.

On 24 December 2015, at the direction of Nameson Investments, our Company allotted and issued 623 shares to Nameson Investments to capitalize and settle the HK\$623,000,000 amount of indebtedness due from our Company to Nameson Investments.

Notwithstanding the registration of the shares of Nameson Group in the name of our Company, it is commercially agreed (as between Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond and Ms. Wong Wai Ling and our Company) that the completion of such transfers of shares in Nameson Group is subject to the completion of the reorganisation steps set out as below.

### **The acquisition of Senico Industrial and the disposal of excluded business**

#### **(a) *The acquisition of Senico Industrial by Winnermax***

On 12 November 2015, each of Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun transferred 50%, 25% and 25% shareholding in Senico Industrial respectively, to Winnermax at a consideration of HK\$91,000,000, HK\$45,500,000 and HK\$45,500,000 respectively



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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and in aggregate HK\$182,000,000. The consideration was determined with reference to the then net asset value of Senico Industrial and Huizhou Lihao as at 31 March 2015 and the market value of an industrial premises held by Senico Industrial based on a valuation report dated 30 November 2015.

The consideration was fully settled by Winnermax issuing to Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun a non-interest bearing promissory note dated 12 November 2015 in principal amount equal to the corresponding amount of consideration due to the respective transferors and being in aggregate HK\$182,000,000.

**(b) *The transfer of the Tai Po industrial premises from Senico Industrial to Hanyi Investments and declaration of dividend by Senico Industrial***

On 14 December 2015, Senico Industrial transferred all its ownership interests over an industrial premises to Hanyi Investments at a consideration of HK\$104,000,000 (the “**Disposal**”). The consideration was determined with reference to the then market value of such industrial premises based on a valuation report dated 30 November 2015.

The consideration was fully settled by Hanyi Investments paying HK\$104,000,000 to Senico Industrial on 14 December 2015 by way of cash.

On 15 December 2015, Senico Industrial declared a dividend in cash in the amount of HK\$90,000,000, being the distributable profits generated from the Disposal, to Winnermax.

**(c) *The acquisition of Senico Industrial by Nameson Group and the disposal of excluded business***

On 24 December 2015, Winnermax transferred the entire issued share capital in Senico Industrial to Nameson Group at a consideration of HK\$78,000,000. The consideration was determined with reference to the then net asset value of Senico Industrial and Huizhou Lihao as at 30 September 2015.

The consideration was settled by Nameson Group by way of transferring the following shares from Nameson Group to Winnermax on 24 December 2015:

- (i) 100 shares of Million Right Investments Limited, being its entire issued share capital;
- (ii) 100 shares of Plenty Asset Investment Limited, being its entire issued share capital;
- (iii) 100 shares of Ultra Mount Investments Limited, being its entire issued share capital;

On 23 December 2015, Nameson Group transferred one share of Nameson Group Limited, a company incorporated in Hong Kong (“**Nameson Group HK**”), being its entire issued share capital, to Winnermax at a consideration of HK\$1. The consideration was determined based on the nominal value of the total issued share capital of Nameson Group HK as at the date of transfer. The consideration was settled in cash by Winnermax on the same date.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 23 December 2015, Nameson Group transferred 100 shares of Nam Tai Industrial (H.K.) Limited, being its entire issued share capital, to Winnermax at a consideration of HK\$153,000. The consideration was determined based on the net asset value of Nam Tai Industrial (H.K.) Limited as at 30 September 2015. The consideration was settled in cash by Winnermax on the same date.

As to the reasons for excluding certain businesses as part of the Reorganisation, please refer to section headed “Relationship with Our Controlling Shareholders — Reasons for not injecting the Excluded Businesses into our Group” in this prospectus.

### **The acquisitions of Winner Way and Huizhou Liyun**

#### **(a) *The transfer of Winner Way from Nameson BVI to Nameson Group***

On 3 December 2015, Nameson BVI transferred the entire issued share capital of Winner Way to Nameson Group at a consideration of HK\$156,000,000. The consideration was determined based on the net asset value of Winner Way as at 30 September 2015.

The consideration was fully settled by Nameson Group issuing to Nameson BVI a non-interest bearing promissory note dated 3 December 2015 in principal amount equal to HK\$156,000,000.

On 16 December 2015, Nameson BVI assigned all its rights and interests in the promissory note to Nameson Investments at a consideration of HK\$156,000,000, which was settled by Nameson Investments issuing another non-interest bearing promissory note dated 16 December 2015 to Nameson BVI. As a result of the assignment, (i) Nameson Group was indebted to Nameson Investments in the amount of HK\$156,000,000; and (ii) Nameson Investments was indebted to Nameson BVI in the amount of HK\$156,000,000.

On 17 December 2015, Nameson Investments assigned all its rights and interests in the promissory note dated 3 December 2015 (which was initially issued by Nameson Group to Nameson BVI, and then assigned to Nameson Investments) to the Company; and in consideration, the Company allotted and issued 156 shares to Nameson Investments.

#### **(b) *The transfer of Huizhou Liyun from Nameson BVI to Winner Way***

On 5 January 2016, Nameson BVI transferred all the equity interests in Huizhou Liyun to Winner Way at a consideration of HK\$342,000,000. The consideration was determined with reference to the net asset value of Huizhou Liyun as at 30 June 2015.

The consideration was fully settled by Winner Way issuing to Nameson BVI a non-interest bearing promissory note dated 12 December 2015 in principal amount equal to HK\$342,000,000.

On 13 December 2015, Nameson BVI assigned all its rights and interests in the promissory note to Nameson Investments at a consideration of HK\$342,000,000, which was settled by Nameson Investments issuing another non-interest bearing promissory note dated 13 December

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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2015 to Nameson BVI. As a result of the assignment, (i) Winner Way was indebted to Nameson Investments in the amount of HK\$342,000,000; and (ii) Nameson Investments was indebted to Nameson BVI in the amount of HK\$342,000,000.

On 14 December 2015, Nameson Investments assigned all its rights and interests in the promissory note dated 12 December 2015 (which was initially issued by Winner Way to Nameson BVI, and then assigned to Nameson Investments), to our Company, in consideration of which, our Company allotted and issued 342 Shares to Nameson Investments.

### **The acquisition of Kingmax Industrial by Nameson Group**

On 23 December 2015, Nameson BVI transferred the entire issued share capital of Kingmax Industrial to Nameson Group at a consideration of HK\$60,000. The consideration was determined based on the nominal value of the total issued share of Kingmax Industrial as at 30 September 2015. The consideration was settled in cash on the same date.

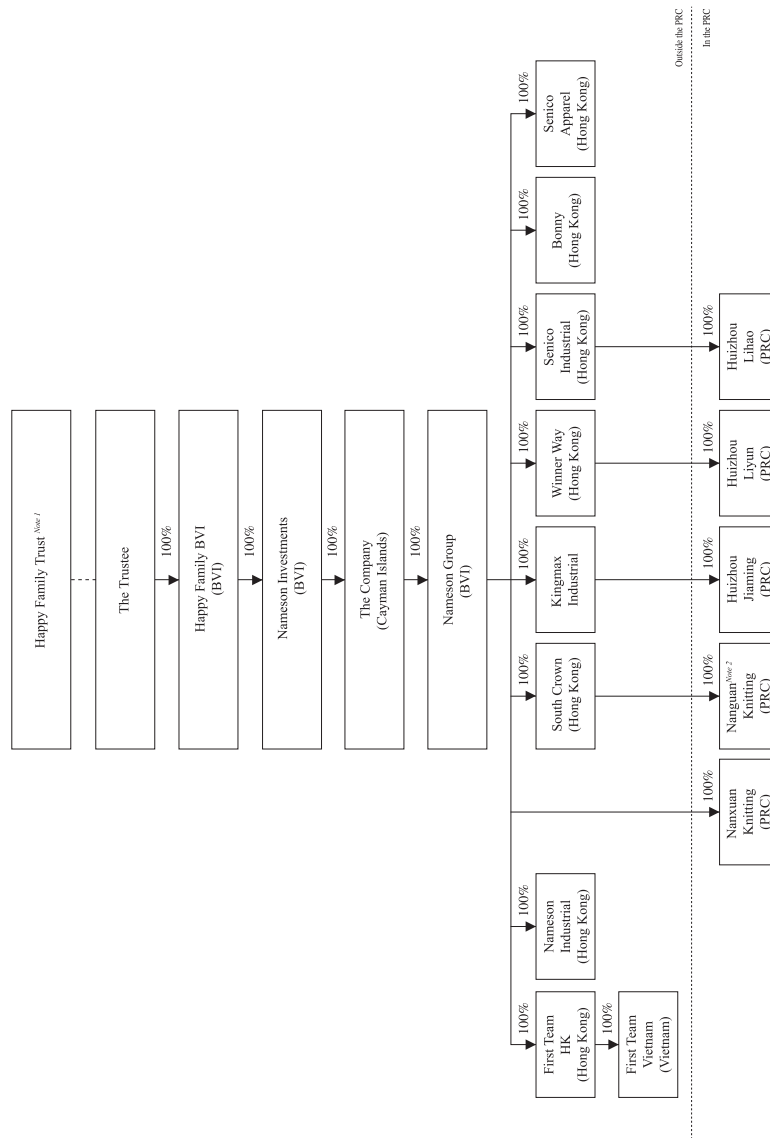
### **The acquisition of Bonny by Nameson Group**

Bonny was incorporated in Hong Kong on 28 April 2005 which was, prior to the Reorganisation, wholly held by Mr. Lau Ka Keung as to, 50 shares for and on behalf of Mr. Wong Ting Chung, as to 25 shares for and on behalf of Mr. Wong Ting Kau and as to 25 shares for and on behalf of Mr. Wong Ting Chun.

On 23 December 2015, Mr. Lau Ka Keung, at the direction of Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun, transferred the entire issued share capital in Bonny to Nameson Group at a consideration of HK\$2,000,000. The consideration was determined with reference to the net asset value of Bonny as at 30 September 2015. The consideration was settled in cash on the same date.

**CORPORATE AND SHAREHOLDING STRUCTURE**

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation but before the completion of the Global Offering and the Capitalisation Issue:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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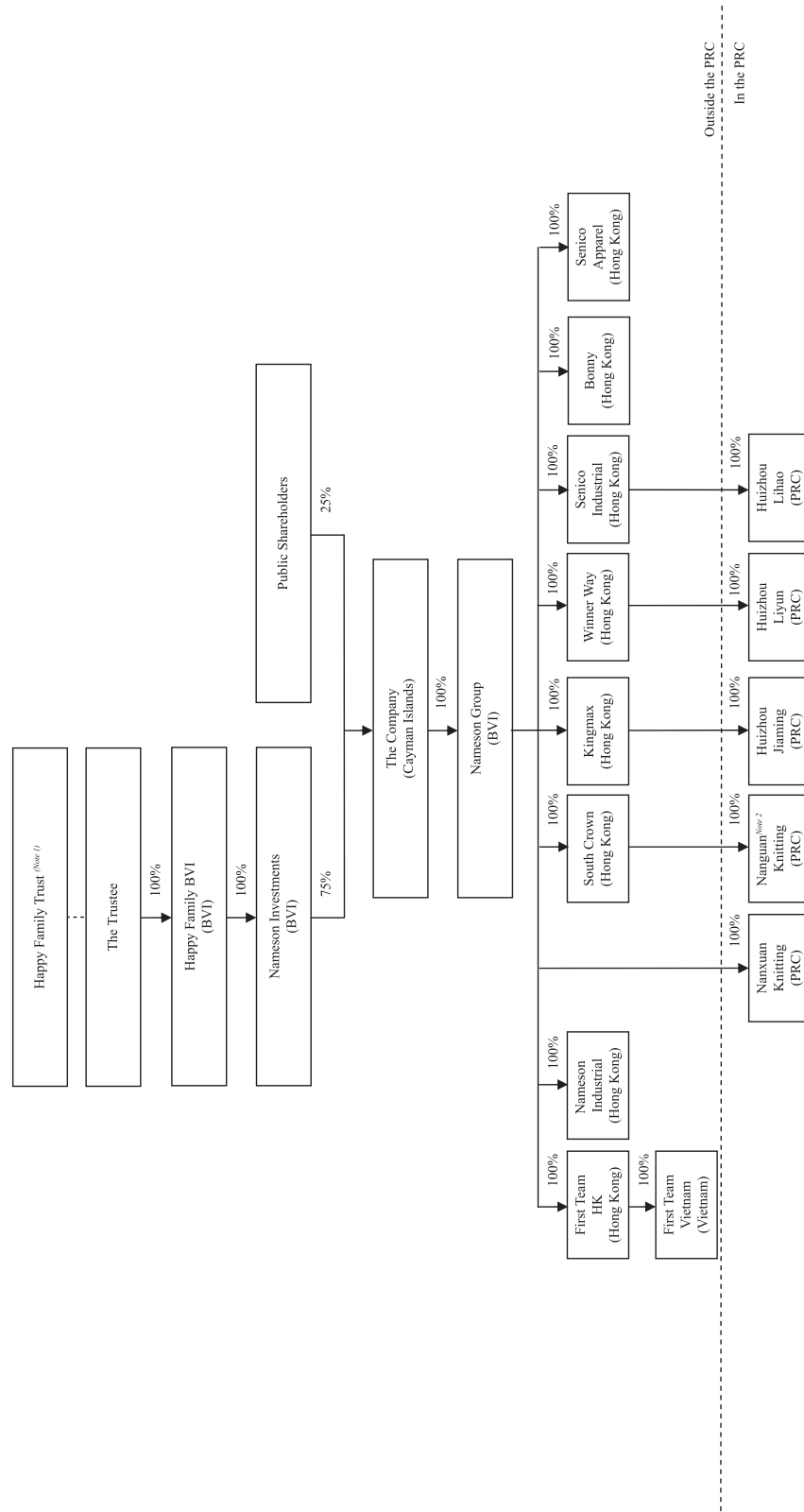
*Notes:*

- (1) The Happy Family Trust is a trust established by Mr. Wong Ting Chung as the settlor and protector of the trust, with East Asia International Trustees Limited as the trustee, for the benefits of Mr. Wong Ting Chung and certain family members of Mr. Wong Ting Chung including but not limited to Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau. Please refer to the paragraphs “— Reorganisation — The incorporation of Happy Family BVI and the establishment of the Happy Family Trust, in this section and the section headed “Appendix V — Statutory and General Information — C. Further information about our Directors and Substantial Shareholders” in this prospectus.
  
- (2) Nanguan Knitting was registered as a processing materials factory since 2006 with a business license valid until March 2026. Pursuant to the relevant PRC regulations, the PRC Government encourages and supports those processing materials factories to transform into foreign-invested enterprises or other types of enterprises with qualification of independent legal person but this is not a mandatory requirement, and no specific time frame for such transformation is required to be done. For details, please refer to the section headed “Regulatory Overview — PRC Regulatory Overview” in this prospectus. Our Directors confirm that currently there is no intention for Nanguan Knitting to undergo such transformation. However, our Directors may choose to cause Nanguan Knitting to undergo such transformation prior to the expiry of its business licence, i.e. March 2026. Our PRC legal advisers advised that there will be no substantial legal obstacles if Nanguan Knitting undergoes such transformation and becomes a foreign-invested enterprise or other types of enterprises with independent legal status. Accordingly, our Directors believe that such transformation will not result in any material and adverse impact on our operations.

**IMMEDIATELY AFTER THE GLOBAL OFFERING**

Conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors of our Company have been authorised to capitalise the amount of HK\$14,999,988.78 from such account and apply such sum in paying up in full at par a total of 1,499,998,878 Shares for allotment and issue to its then shareholders, on a pro rata basis.

The following chart sets forth our corporate and shareholding structure immediately after the completion of the Reorganisation, the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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*Notes:*

- (1) The Happy Family Trust is a trust established by Mr. Wong Ting Chung as the settlor and protector of the trust, with East Asia International Trustees Limited as the trustee, for the benefits of Mr. Wong Ting Chung and certain family members of Mr. Wong Ting Chung including but not limited to Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau. Please refer to the paragraphs “— Reorganisation — The incorporation of Happy Family BVI and the establishment of the Happy Family Trust, in this section and the section headed “Appendix V — Statutory and General Information — C. Further information about our Directors and Substantial Shareholders” in this prospectus.
  
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### OVERVIEW

We are one of the leading knitwear manufacturers in the PRC by manufacturers' revenue in 2014 according to the Euromonitor Report. We offer one-stop in-house solutions for our customers comprising design origination, raw material procurement, sample product development, quality products and timely delivery. Our knitwear products include pullovers, cardigans, vests and accessories that are mainly exported to our international apparel brand customers. We prioritise and value what our customers demand and over the years, customer recognition of our product quality and our reputation has enabled us to maintain our market position as one of the leading knitwear manufacturers in the PRC. We have had eight to 20 years' business relationships with international apparel brands such as UNIQLO, Tommy Hilfiger and Lands' End. These premium brand customers have a global demand and our main exports are to Japan, US and Europe.

We have accumulated extensive manufacturing expertise and know-how in manufacturing since our establishment in 1990. Together with our strong design and development capabilities and technologically advanced and highly automated production, we are able to consistently produce innovative design and high quality products efficiently.

As we seek to diversify our customer base and to meet expected increase in demand from existing customers, we have recently diversified to establish a production base in Vietnam thereby enhancing our geographical footprint and ability to better serve our international customers. The first phase of our Vietnam Factory commenced production in the first quarter of 2015. We have commenced construction of the second phase of our Vietnam Factory and the construction is expected to be completed by the first half of 2016 with operations expected to commence thereafter. The addition of the second phase of our Vietnam Factory will expand our manufacturing capacities in order to support our business growth.

For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our total revenue was approximately HK\$2,542.8 million, HK\$2,322.3 million, HK\$2,567.7 million and HK\$1,756.4 million respectively.

### OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

#### **We have established long-term relationships with international apparel brands customers**

We have established long-term business relationships with international apparel brands. Our five largest customers during the Track Record Period are all international apparel brands, and included UNIQLO, Tommy Hilfiger and Lands' End, which our knitwear products are sold in our customers' retail stores around the world.

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## BUSINESS

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We have strong business relationships with our five largest customers and, as at the Latest Practicable Date, such relationships ranged from eight to 20 years. In particular, our business relationship with UNIQLO, our largest customer, started since 1995, and with Tommy Hilfiger, our second largest customer, since 2001. Such long-standing relationships are a testament to our consistently high quality products, strong research and development and design capabilities. We pride ourselves in consistently executing customers' orders to the highest standards in an efficient and timely manner.

We believe that our long standing and strong relationships with our customers cannot be easily replicated by other knitwear manufacturers, which have enabled us and which we believe will continue to enable us, to differentiate ourselves from other competitors. Our emphasis on and efforts in ensuring the quality of our products have been recognised by our largest customer, UNIQLO, who has presented us with the "UNIQLO Quality Supplier Award". This award commends us for the high quality of our products, as well as their recognition of our complete and autonomous system for quality control, obviating the need for third party inspection. We were also certified by UNIQLO to produce products under the "UNIQLO" label as a trusted business partner for the years 2012, 2013, 2014 and 2015. In view of such close collaboration with our major customers and their positive feedback in respect of our reliable performance throughout the entire period of cooperation, we believe that our commitment to high and stable quality of our products constitutes a competitive edge over other apparel manufacturers. We believe that our long-term relationship with our major customers, many of which are international apparel brands, greatly enhance our reputation in the knitwear industry and hence increase our ability to attract new customers globally which share similar profile and market positioning as our existing customers.

**We are one of the leading knitwear manufacturers in the PRC with strong manufacturing expertise, extensive product know-how and stringent quality control which ensures high product quality and services**

According to the Euromonitor Report, we are one of the leading knitwear manufacturers in the PRC by revenue in 2014. We design and manufacture a wide range of knitwear products for international apparel brands. Since our establishment in 1990, we have accumulated extensive expertise and know-how in knitwear manufacturing. Together with our technologically advanced and highly automated production, we are able to consistently produce high quality products efficiently. We began to upgrade all of the knitting machines in our PRC Factory from manual to fully-automatic knitting machines sourced from German and Japanese manufacturers starting from 2003. As at 30 September 2015, we had 5,876 and 1,500 sets of linking machines, and 3,765 and 662 sets of fully automated knitting machines, at our PRC Factory and Vietnam Factory respectively. We also had six sets of computerised embroidering machines and 11 sets of cashmere spinning machines at our PRC Factory. These machines allow us to produce finished pieces of complicated designs in short spans of time, ensuring time and cost efficiency while reducing our exposure to labour costs and labour shortage risks.

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## BUSINESS

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We impose a comprehensive and stringent quality control regime. Each step of our principal production process is inspected by our production team in order to optimise efficiency and ensure product quality. In addition to the production line inspections performed by members of our production team, our quality control team carries out further quality inspections by conducting sample checks on our semi-finished products and final products before they are delivered to our customers. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. During each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the defect rates of our finished knitwear products were maintained at less than 0.007%, 0.005%, 0.122% and 0.003% respectively.

Our raw materials are subject to comprehensive laboratory testing as specified by our customers, including but not limited to tests on colour fastness to washing, colour fastness to water and colour fastness to perspiration at our PRC Factory's on-site Testing Centre, which has been certified by SGS, an international inspection, verification, testing and certification company. Our Testing Centre and certain of our staff have been certified and awarded laboratory accreditation by certain of our major customers to carry out specified quality testing on our yarn and finished knitwear products on their behalf. In addition, throughout the production process, every semi-finished product undergoes stringent quality inspection by members of our production staff as it moves along each stage of the production process, and is passed through our needle detector twice to ensure that our products are free from any unwarranted metal fragments before being packaged in our highly controlled packaging area which is under 24 hour surveillance. In addition to the production line inspections performed by members of our production team, our quality control team, which as at 30 September 2015 consisted of 65 staff, carries out further quality inspections by conducting sample checks on our semi-finished products and finished products before they are delivered to our customers. For details of our quality control process, please refer to the section headed "Business — Quality Control" in this prospectus. We assign our quality control personnel to station at the factories of some of our suppliers and subcontractors from time to time to ensure a level of compliance and quality that is up to our standard.

In addition, we believe that our reputation for our timely delivery of products is also one of our core competitive strengths and this has allowed us to maintain loyal relationships with our existing customers and to attract new customers. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material customer complaints regarding any delays in delivery of our products. We believe that our strong manufacturing expertise, extensive product know-how, efficient production, stringent quality control and good market reputation establish a solid foundation for our long-term growth by enabling us to maintain long-term customer relationships and expand our global customer base.

### **We are a one-stop in-house solutions provider for knitwear products with strong and established product design and development capability**

We provide one-stop in-house solutions to our customers. We provide our customers with value-added services ranging from product concept and specification designs, raw material procurement, yarn and sample development to production.

Our design and development staff communicate regularly with our customers to understand and recommend solutions during the design processes, including recommendations on new knitwear design and new blending of yarn. Our design and development team holds regular discussions with our customers to introduce new product designs and to refine existing product designs. They also conduct market research and attend fashion trade fairs around the world to keep abreast of the latest global fashion trends and product development. Our team creates trend boards with knitwear designs or knitting patterns approximately a year in advance of individual seasons to serve as a source of inspiration for our customers. Apart from creating our own knitwear designs for our customer's consideration and inspiration, in order to accommodate the changing trends and needs of our customers, our design and development team together with our sales and merchandising team also collaborate with the designers of our customers to explore and develop new knitwear designs and raw materials such as new blending of yarn and different knitting pattern swatches.

In addition to our close relationships with yarn suppliers, we are also able to offer high quality cashmere yarn to our customers through our own on-site cashmere spinning machines and jointly develop new blending of yarn with our yarn suppliers or customers. Together with our embroidery services provided through our computerised embroidery machines and our in-house SGS-certified laboratory testing facilities, we are able to offer a comprehensive range of knitwear products produced according to our customers' specifications. Furthermore, in order to reduce production lead time for our customers, we have invested in building a sizeable sample development department which allows us to produce knitwear samples in accordance with the specifications of our customers for their confirmation before our production process begins. Our strong capability to develop samples together with our large scale and highly automated production capabilities means that we are able to deliver within a short lead time and are highly flexible in adjusting our design and production, which enables us to maintain economy of scale and be responsive to customers' needs and market demands within a short period of time. Our ability to provide a comprehensive range of services to our customers positions us as a one-stop in-house provider of knitwear manufacturing solutions, giving us a sustainable competitive edge by enhancing our ability to accommodate the needs of customers and allowing us to provide timely services to our customers in a cost efficient manner.

### **Our production bases are strategically located**

Our PRC Factory is located in Huizhou, Guangdong Province, PRC, in close proximity to the facilities of most of our key suppliers. We believe that the location of our PRC Factory, with its proximity to our key suppliers' facilities, minimises our operating costs and enables us to better respond to our customers' needs.

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Our Vietnam Factory is located on the outskirts of Ho Chi Minh City, Vietnam. With the Japan-Vietnam Economic Partnership Agreement taking effect in 2009, custom duty was eliminated for import of knitwear products, subject to certain conditions, from Vietnam into Japan making our Vietnam Factory more attractive to our customers in Japan. Vietnam's entry into the WTO in 2007 has also led to certain trade advantages such as low tariffs by the US and elimination of trade quotas for garments and textile by all WTO member countries, including the US, Canada, and Europe. In addition, negotiations for the Trans-Pacific Partnership ("TPP"), a regional free trade agreement involving 12 countries including the US, Vietnam, Japan and Canada which was recently concluded in October 2015 are likely to result in lower tariffs and fewer trade barriers to trading of goods and services and investment, hence giving Vietnam greater market access to major TPP countries. Following the implementation of the TPP, the cost of our customers is expected to decrease and hence making our Vietnam Factory more attractive to our customers. Accordingly, we expect to receive more customers' orders for our products. We believe that the relatively low cost of labour and favourable trade arrangement for Vietnam are conducive towards not only minimising our operating costs, but also increasing our ability to attract our other customers to enjoy the benefits of our Vietnam Factory.

### **We have an experienced management team with proven track record to lead our growth**

We have a stable management team which comprises a group of experienced individuals, some of whom have had over 25 years of experience in knitwear manufacturing and related industries and with experience working with us for a period ranging from 12 years to 25 years. In particular, one of our founders, our chairman, chief executive officer and executive Director, Mr. Wong Ting Chung, has worked in the knitwear manufacturing industry for over 30 years and has played a leading role in our overall business growth.

Over the years, our management team has accumulated intimate knowledge of the knitwear manufacturing industry and developed strong relationships with key market participants. Their extensive experience and vision have enabled us to anticipate market trends and achieve strong growth in recent years.

We believe that our streamlined management structure will enable us to quickly respond to our customers' demands and mobilized resources, and our experienced management team will continue to lead our business growth in the knitwear manufacturing industry. For more information on the experience and background of our management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

**OUR STRATEGIES**

Our goal is to continue to strengthen our position as one of the leading knitwear manufacturers. We plan to implement the following strategies to enhance our overall competitiveness and to increase our market share in the future:

**We intend to expand our production capacity and our operations geographically**

As at the Latest Practicable Date, we operated two production facilities, namely, our PRC Factory and the first phase of our Vietnam Factory. During the Track Record Period, a majority of our knitwear products were produced at our PRC Factory. For the six months ended 30 September 2015, our PRC Factory had a designed production capacity of approximately 15.0 million units of knitwear and a utilisation rate of approximately 93.3% during peak season. In order to meet the expected increase in demand for our products and to capture business opportunities arising from the growth in the global knitwear market, we considered it necessary to increase our production capacity by establishing new production facilities after we took into account all the favourable trade arrangements, the lower production cost, in particular, cost of labour, electricity and water and the preferential tax treatment in Vietnam, and then decided to establish the new production facilities of Vietnam.

The first phase of our Vietnam Factory commenced production in the first quarter of 2015. We have three buildings housing our knitwear production facilities at the first phase of our Vietnam Factory with an aggregate gross floor area of approximately 31,935.8 square metres, with 1,500 sets of linking machines and 662 sets of fully-automated knitting machines. During the six months ended 30 September 2015, approximately 1.1 million units of knitwear were produced in our Vietnam Factory which had a designed production capacity of approximately 2.2 million units of knitwear for the six months ended 30 September 2015. For details of the basis of the designed production capacity and utilisation rate of our factories, please refer to the section headed “Business — Production — Current production facilities and capacity” in this prospectus.

We have commenced construction of the second phase of our Vietnam Factory and expect the construction to be completed in the first half of 2016. It is currently expected that four six-storey factory buildings will be built for our knitwear production facilities at the second phase of our Vietnam Factory with an aggregate gross floor area of approximately 95,000 square metres. It is expected that the second phase of our Vietnam Factory will house 1,300 sets of fully-automated knitting machines which are sourced from German and Japanese manufacturers, with a designed annual production capacity of approximately 12.6 million units of knitwear. The total capital expenditure for the second phase of the Vietnam Factory is approximately HK\$500 million. We expect to finance this construction project with cash generated from operating activities and proceeds from the Global Offering and bank and other borrowings. The second phase of the Vietnam Factory is expected to commence operations after the construction is completed in the first half of 2016.

Upon completion of construction of the second phase of our Vietnam Factory, the total designed annual production capacity, when aggregated with that of our PRC Factory and the first phase of our Vietnam Factory, will be 46.9 million units of knitwear. Once production at both the first and second phase of our Vietnam Factory is fully commenced, we expect our



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average cost of sales on a Group basis to decrease given the lower production cost, in particular, cost of labour, electricity and water which we consider to have a relatively substantial impact on our cost of sales in Vietnam as compared to the PRC. For details of our Vietnam Factory, please refer to the section headed “Business — Production — Current production facilities and capacity” in this prospectus.

In the more distant future, we also plan to expand our operations across more Southeast Asian countries such as Myanmar and we may consider to invest in, or form joint ventures with, high quality companies in the apparel manufacturing or related industries should suitable merger or acquisition opportunities arise. As at the Latest Practicable Date, we have not identified any acquisition target.

### **We intend to strengthen and diversify our customer base**

We believe our relationships with our customers are vital to the growth of our business. We intend to strengthen our relationships with existing customers by increasing our collaborations with them, facilitating more frequent communications and providing more comprehensive services, such as improved technical support and design and development capabilities.

In addition to further developing relationships with our existing customers, we also intend to enlarge and diversify our customer base by increasing the number of sales staff and our sales and merchandising team. To this end, we have recruited two sales directors in 2014 with over 15 years of experience in knitwear manufacturing and related industries, and one merchandising director in 2015 with approximately five years of experience in the knitwear manufacturing industry. We aim to leverage on their experience in the industry to service apparel brands recently added to our customer portfolio, and to target new international apparel brands. During the year 2014 and the period from January 2015 up to the Latest Practicable Date, we have gained eight and five international and PRC apparel brands as our new customers respectively. We also intend to engage additional sales and merchandising staff, with a view to leveraging their experience and contacts within the apparel industry to guide and support the expansion of our customer base.

### **We intend to strengthen our design and development capabilities**

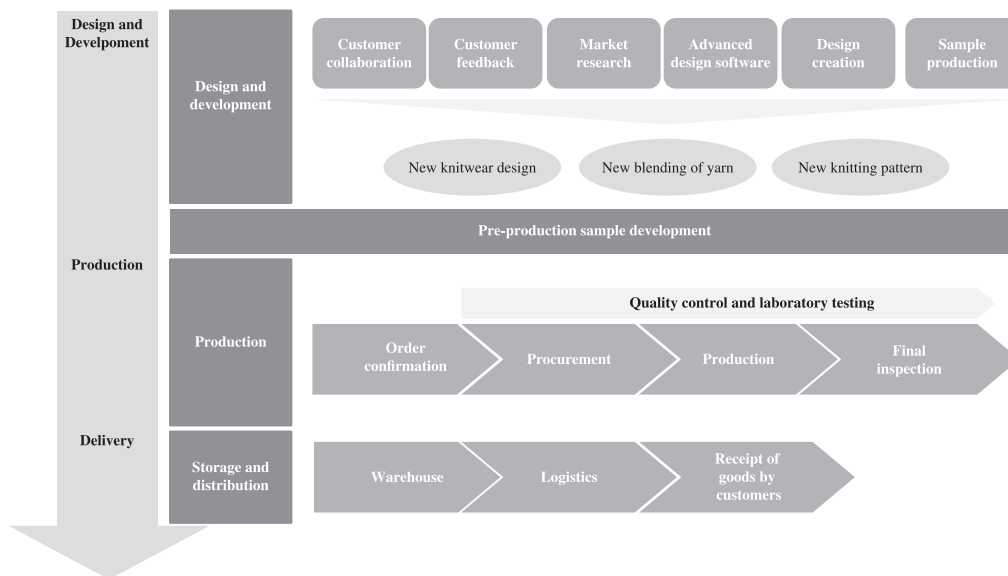
We plan to continue to invest in and strengthen our design and development capabilities. We believe that consumers are becoming more discerning and that there is a growing desire for a greater number of options, comfort and quality. To accommodate this changing appetite, it is important that we continue to improve and evolve our product offerings. To achieve this, we intend to continue to work closely and collaborate frequently with our customers and suppliers to develop more innovative and sophisticated yarn blends and knitting patterns, continue to provide our customers with a technologically advanced and state of the art design platform and design services, engage additional design and development staff to offer greater support for value-added services in our design and development, as well as to create more opportunities for our design and development staff to attend international trade fairs, fashion shows and conferences to ensure that we stay informed on the latest market trends.

**OUR BUSINESS MODEL**

We are one of the leading knitwear manufacturers in the PRC by manufacturers’ revenue in 2014 according to the Euromonitor Report. We are a one-stop in-house solutions provider for our customers, with production bases strategically located in the PRC and Vietnam. We manufacture a wide range of knitwear products, including pullovers, cardigans, vests and accessories, a majority of which are exported to our international apparel brand customers.

Our knitwear products are manufactured using raw materials purchased from our suppliers such as cotton-blended yarn or wool-blended yarn, and cashmere yarn which we spin in-house with our cashmere spinning machines. During the Track Record Period, we outsourced parts of our production process to our subcontractors mainly to supplement our capacity during peak season. We offer product design and development services to our customers. Our design and development team originates designs for our customers’ consideration and also designs knitwear jointly with our customers. Our design and development team communicates regularly with our customers to understand and recommend solutions during the design processes, including recommendations on new knitwear design and new blending of yarn. We produce samples of the designs for our customers’ comments and confirmation before our production process begins. We generally place purchase orders for raw materials after our customers confirm their orders with their specifications on the type and amount of raw materials to be used for their knitwear products. We conduct laboratory tests on samples taken from randomly selected batches of raw materials delivered to us at our SGS-certified Testing Centre. Throughout our production process, every semi-finished product undergoes stringent quality inspection by members of our production staff as it moves along each stage of the production process. In addition to the production line inspections performed by members of our production team, our quality control team carries out further quality inspections by conducting sample checks on our semi-finished products and finished products before they are packaged and delivered to our customers.

The following chart illustrates our business model:





## BUSINESS

### PRODUCTS

Our knitwear products can be divided into three categories, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves. Our revenue during the Track Record Period was mainly derived from the sales of womenswear, representing approximately 62.2%, 66.1%, 61.5% and 57.5% respectively of our total revenue for three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. The table below sets out our revenue by product categories during the Track Record Period:

Revenue	Year ended 31 March						Six months ended 30 September	
	2013		2014		2015		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Womenswear	1,580,264	62.2	1,534,568	66.1	1,580,116	61.5	1,010,371	57.5
Menswear	918,429	36.1	714,837	30.8	952,381	37.1	715,096	40.7
Other products	44,112	1.7	72,860	3.1	35,170	1.4	30,965	1.8
<b>Total</b>	<b>2,542,805</b>	<b>100</b>	<b>2,322,265</b>	<b>100</b>	<b>2,567,667</b>	<b>100</b>	<b>1,756,432</b>	<b>100</b>

The table below sets out our total sales quantities of womenswear, menswear and other products during the Track Record Period:

Sales quantity	Year ended 31 March			Six months ended 30 September
	2013	2014	2015	2015
	(thousand units)	(thousand units)	(thousand units)	(thousand units)
Womenswear	19,625	18,730	18,203	11,123
Menswear	9,838	7,862	9,864	7,298
Other products	491	739	436	421
<b>Total sales quantity</b>	<b>29,954</b>	<b>27,331</b>	<b>28,503</b>	<b>18,842</b>

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## BUSINESS

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The selling price of each of the product categories depends on product designs and fashion trends, the quantity of an order, the technical requirements of our products such as density, weight, types and amount of yarn utilised as required by our customers, the production costs including subcontracting charges, the production lead time required by customers and the prices of yarn and accessories. Accordingly, the selling prices of knitwear products vary significantly. The table below sets out the average selling prices for womenswear, menswear and other products during the Track Record Period:

<u>Average selling price (Note 1)</u>	<u>Year ended 31 March</u>			<u>Six months ended</u>
				<u>30 September</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Womenswear	80.5	81.9	86.8	90.8
Menswear	93.4	90.9	96.6	98.0
Other products	<u>89.8</u>	<u>98.6</u>	<u>80.7</u>	<u>73.5</u>
<b>Total average selling price</b>	<b><u>84.9</u></b>	<b><u>85.0</u></b>	<b><u>90.1</u></b>	<b><u>93.2</u></b>

*Note:*

- The average selling price represents the revenue for the financial year/period divided by the total sales quantities for that financial year/period.

**Womenswear**

We manufacture a wide range of quality womenswear including knitted pullovers, knitted cardigans, knitted one-piece, knitted cape and knitted vests. Our products come in different styles, cutting, knitting patterns, materials and colour combinations in accordance with the specifications and requirements as set out by our customers. Our womenswear products are mainly made of wool and cotton yarn. Set out below are some of the womenswear products manufactured by us:

*Knitted pullover*



*Knitted cardigan*



*Knitted one-piece*



*Knitted cape*



*Knitted vest*



**Menswear**

We manufacture a wide range of quality menswear including knitted pullovers, knitted cardigans and knitted vests. Our products come in different styles, cutting, knitting patterns, materials and colour combinations in accordance with the specifications and requirements as set out by our customers. Most of our menswear products are mainly made of wool and cotton yarn. Set out below are some of the menswear products manufactured by us:

*Knitted pullover*



*Knitted cardigan*



*Knitted vest*



**Other products**

Apart from our mainstream products which include womenswear and menswear, we also produce childrenswear products and knitted accessories such as scarfs, hats and gloves in accordance with the specifications and requirements set out by our customers. Set out below are some of the childrenswear products and other accessories manufactured by us:

*Knitted childrenswear*



*Knitted accessories — scarf*



*Knitted accessories — hat*



*Knitted accessories — gloves*



**DESIGN AND DEVELOPMENT**

To enhance our ability to anticipate and effectively respond to the swift changing fashion trends in the global apparel market, we place particular emphasis on product innovations and application of new materials and technologies. We have established our design and development department with staff at our PRC Factory and Hong Kong office. Our Directors believe that our design and development is our competitive advantage which helps to strengthen the business relationships with our existing customers and explore business opportunities with potential customers.

As at 30 September 2015, we had a dedicated design and development team consisting of 17 staff which is primarily responsible for knitwear products designs and innovations and the development of different blending of yarn. As at 30 September 2015, we had 5 designers in our team who possess up to 11 years of experience in design and development industry. Our design and development team communicates regularly with our customers to understand and recommend solutions during the design processes, including recommendations on new knitwear design and new blending of yarn. Our design and development team holds regular discussions with our customers to introduce new product designs and refine existing product designs, attend international trade fairs and conferences to keep abreast of market and product development trends.

Our design and development department is equipped with specialised garment design software and facilities to design and develop new knitwear designs according to our customers' specifications. Through our specialised computer software, we can design different colour combinations and multi-dimensional knitted patterns for our knitwear products. We also have cashmere spinning machines and embroidery machines which further allow us to enhance our product innovation and development.

Our design and development department generally include the following main functions:

**Research**

Our design and development process typically begins by gauging the global fashion trends and yarn development by carrying out market research through, among other things, browsing international fashion magazines, websites, and attending fashion shows and fashion trade fairs held in various cities such as New York and Shanghai and other cities in Europe.

**Design and development**

After collecting information on the upcoming fashion trends through various sources, our design and development team creates trend boards with knitwear designs or knitting patterns at least a year in advance of individual seasons to serve as a source of inspiration for our customers. Our designers draw sketches for the products when performing production specifications of the new designs such as type of yarn to be used, sizes, textures of the swatches in accordance with the specifications and preferences of our customers as well as to analyse our procurement and production cost, and will pass the new designs to our sample

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development to produce samples of the new designs created. These samples will be presented to our customers for their consideration. We work to ensure that the samples adhere to the original design concepts or in accordance with our customers specifications and can be replicated on an industrial scale in a cost-effective way. The designers of our customers use our designs as inspiration and adopt our designs partially with certain modifications from time to time. Apart from creating our own knitwear designs for our customer's consideration and inspiration, in order to accommodate the changing trends and needs of our customers, our design and development team together with our sales and merchandising team also collaborate with the designers of our customers to explore and develop new knitwear designs and raw materials such as new blending of yarn and different knitting pattern swatches.

### PROCUREMENT

#### Raw Materials

As at 30 September 2015, we had a procurement team comprising 58 staff responsible for sourcing raw materials and other supplies. The principal raw materials used in our production of knitwear products are yarn, which are mainly blended with different materials such as cotton and wool. We purchase yarn mainly from suppliers in the PRC. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our purchase of yarn accounted for a substantial amount of our cost of sales, representing approximately 44.7%, 34.5%, 40.7% and 42.7% of our total cost of sales respectively. The prices of both cotton and wool, being the major components of the yarn, are volatile. The prices of yarn fluctuated during the Track Record Period and the changes in prices of yarn would have affected the results of operations. For details relating to the impact in the price fluctuations in yarn, please refer to the section headed "Financial Information — Sensitivity Analyses" in this prospectus.

During the Track Record Period, we did not undertake any hedging activities or any other strategy to minimise the exposure to the possible price fluctuation of the raw materials as we have adopted a cost control measure which enables us to pass on a majority of the increase in raw materials prices to our customers. Our cost control measures on raw materials also include, among other things, searching for alternate sources for raw materials of the same quality at a more competitive price and terms, and pre-ordering yarn during the low season of our yarn supplier in order to achieve a better price on our yarn. As part of our cost control measures on raw materials, we controlled the level of inventory in the raw materials warehouses in our PRC Factory to minimise storage and to avoid wastage of yarns. For further details of our inventory control, please refer to the section headed "Business — Procurement — Inventory control" in this prospectus. For the risk relating to the fluctuation of prices of our raw materials, please refer to the section headed "Risk Factors — Risks Relating to our Business — Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business financial condition and results of operation" in this prospectus. We have however entered into certain contracts to manage our foreign currency exposures during the Track Record Period. For details of such foreign currency contracts, please refer to the section headed "Financial Information — Certain Items of Combined Balance Sheet — Derivative financial instruments" in this prospectus.

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Other than yarn, we also purchase other raw materials including raw cashmere from our supplier in the PRC, which are spun into cashmere yarn with our cashmere spinning machines. We also purchased accessories from our suppliers such as buttons, zippers, labels and hangtags mainly in the PRC.

For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the total costs of our raw materials were approximately HK\$974.4 million, HK\$802.4 million, HK\$982.6 million and HK\$665.2 million respectively, representing approximately 51.4%, 45.4%, 49.3% and 47.6% of our total cost of sales for the corresponding years/period.

### Suppliers

For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we purchased raw materials from around 28, 28, 28 and 20 key suppliers, most of which were located in the PRC. The type of raw materials purchased by us from our major suppliers was yarn. The credit terms offered by these suppliers to us were typically ranging from 0 to 60 days by letter of credit or by telegraphic transfer. As at the Latest Practicable Date, the business relationships with our five largest suppliers ranged from 10 to 17 years. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the total purchases from our five largest suppliers accounted for approximately 63.6%, 71.8%, 68.2% and 72.8% of our total purchase of raw materials respectively, and the total purchases from our largest supplier accounted for approximately 33.2%, 35.0%, 43.5% and 50.3% of our total purchase of raw materials for the corresponding years/period respectively.

Each of our top five suppliers is an Independent Third Party and none of them is also our customer. Our Directors confirm that none of our Company, Directors, their respective associates or Shareholders who owns more than 5% of the entire issued share capital of our Company, had any interests in any of our five largest suppliers during the Track Record Period.

We have established stable and strong relationships with our major suppliers and, as a result, we have not encountered any material disruption to our business due to a shortage of raw materials during the Track Record Period and up to the Latest Practicable Date. We have not experienced and do not envisage that we will experience any material difficulties in sourcing raw materials for our requirements. We typically place purchase orders with our suppliers instead of entering into long-term purchase contracts with them. For the risk relating to our suppliers, please refer to the section headed “Risk Factors — Risks Relating to our Business — We mainly purchase from a number of suppliers and any disruption in their supply may have a material adverse effect on our business and results of operations” in this prospectus.

During the Track Record Period, we were able to pass on a majority of the increase in raw material prices to our customers. When our customer places a purchase order with us, we will source the suitable yarn according to our customer’s specifications and compare quotations from various suppliers in order to select the supplier who offers the most favourable price. Sometimes, our customers may request us to source from a specific supplier for the supply of raw materials to



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be used in their products. We then revert with a quotation reflecting the costs of yarn and other costs of production for customers' confirmation. In such circumstances, our customers would also know roughly, if not exactly, the cost of the raw materials. Therefore, any increases in the cost of raw materials will also be known to our customers. In accordance with our internal procedures, we only proceed to transact with a customer if all the elements within a price quotation, including but not limited to, the cost of raw materials, are accepted by it. Sometimes, in an effort to increase utilisation and/or in view of customer relationship, we proceed to transact with a customer even if such customer does not accept some or all of the increased costs in raw materials.

Once an order has been placed with the supplier, our procurement personnel will follow-up regularly with the supplier during the production progress. We do not rely on a single supplier for the supply of our principal raw materials and normally maintain at least one other active supplier from time to time. Our principal raw materials such as cotton yarn and wool yarn are commodities readily available in the PRC as well as from overseas suppliers. Therefore, in the event that any one of our major suppliers ceases supplying us with such raw materials, we believe that we will be able to obtain supplies of such raw materials from other sources.

### *Selection criteria of supplier*

To ensure that the raw materials supplied to us are of good quality and the supply can be made on a timely basis, we have established a set of criterion to assess the suitability of potential suppliers based on their pricing of raw materials, services, scale, technical capability, reputation, product quality and their ability to assure timely delivery of raw materials. Sometimes, our customers may request us to source from a specific supplier for supply of raw materials to be used in their production. Our procurement personnel and our customers also conduct site visit of the potential suppliers before we place purchase orders with such potential suppliers. In addition, all of our suppliers are generally subject to our annual evaluation, which include an assessment on their services, product quality, production costs and product delivery time.

### **Subcontractors**

During the Track Record Period, we outsourced parts of the production process of our products to our subcontractors, which are independent factories and most of which are located in the PRC, mainly to supplement our capacity during the peak season. Our subcontracting expenses incurred for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 were approximately HK\$396.8 million, HK\$324.5 million, HK\$346.2 million and HK\$235.8 million respectively, representing approximately 21.0%, 18.4%, 17.4% and 16.9% of our total cost of sales.

As at the Latest Practicable Date, our key subcontractors had nine to 12 years of relationship with our Group. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, we have engaged 17, 17, 18 and 25 subcontractors respectively for the provision of certain production process of our knitwear products, most of which were located in the PRC. The types of subcontracting services provided by these subcontractors include mainly knitting and linking of knitted panels and we provide the necessary raw materials for our



subcontractors to process our semi-finished products. The total cost of subcontracting services provided by our key subcontractors accounted for approximately 58.7%, 63.4%, 55.7% and 53.8% of our total subcontracting cost respectively for each of the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively.

Each of our key subcontractors is an Independent Third Party. Our Directors confirm that none of our Company, Directors, their respective associates or Shareholders who owns more than 5% of the entire issued share capital of our Company, had any interests in any of our top subcontractors during the Track Record Period.

We evaluate and select subcontractors based on their technical capability, service, price, ability to meet production schedules and quality of their production. We maintain an approved list of subcontractors and prior to approving our subcontractors to enter into such list for provision of their services for certain production process, our procurement personnel conducts necessary site visit of the potential subcontractors. Our customers conduct quality checks on the subcontractors which we recommend to them. We only engage any potential subcontractor once consent is obtained from our customers. Some of our customers also conduct quality checks annually on the subcontractors to ensure compliance with our production standards. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material adverse consequence from any unsatisfactory products produced by our subcontractors.

***Salient terms of our typical subcontracting agreement***

During the Track Record Period, we had entered into various subcontracting agreements with our key subcontractors, with terms up to 60 months. The duration of an agreement and the scope of responsibilities thereunder depend on the products required to be manufactured. The salient terms of such agreements include:

- products that require processing, which typically include knitted sweaters, knitted panels, cashmere and other knitted products;
- delivery time, which is typically within 90 days from the subcontractor's receipt of our order;
- we provide the relevant raw materials to the subcontractor and the subcontractor shall process the products according to the requirements specified by us;
- once we have ascertained the style, volume and requirements of the products to be processed, we will enter into a purchase order with the subcontractor;
- credit periods granted by our subcontractors normally were around 30 days; and
- the subcontractors will compensate us in the case of any delay in delivery of products by the subcontractors.

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Subcontracting fees are generally determined based on product specifications, estimated production time and labour cost for processing each order.

### **Inventory Control**

The principal raw materials purchased and used by us in the production process are yarn such as cotton yarn and wool yarn which are subject to market price fluctuations. Besides such principal raw materials, we also procure raw cashmere from our supplier in the PRC which are spun into cashmere yarn with our cashmere spinning machines. We have control on the level of inventory in the raw materials warehouses in our PRC Factory to minimise storage and to avoid wastage of yarn. As at 31 March 2013, 31 March 2014 and 31 March 2015 and the six months ended 30 September 2015, our total value of raw materials inventory were approximately HK\$99.4 million, HK\$167.2 million, HK\$135.8 million and HK\$90.7 million respectively.

We generally place purchase orders of raw materials after our customers have confirmed their orders which specify the type of yarn and accessories to be used for their knitwear products so as to minimise wastage of raw materials that would remain after completing customers' orders. We conduct laboratory tests on samples taken from randomly selected batches of raw materials delivered to us by our suppliers to ensure that the content meets all requisite standards. We reserve the right to return defective materials to our suppliers. An inventory record is kept to facilitate storage and retrieval of raw materials. Our procurement team monitors supply and storage of raw materials including yarn and accessories to assure a sufficient supply of raw materials for production. To minimise wastage of raw materials, we require our suppliers to deliver a precise amount of yarn required to fill each production order. Where excessive yarn or raw materials remain after completing a customer's order, we will obtain consent from our customers if we could secure more purchase orders using up the excessive yarn or raw materials. We believe that our control over inventory supports the efficient use of our working capital as well as minimises the risks of inventory obsolescence. We made provision for impairment of inventories in the amount of approximately HK\$6.7 million, HK\$8.7 million and HK\$9.9 million for each of the years ended 31 March 2013, 2014 and 2015. For the six months ended 30 September 2015, we have made a reversal of impairment of inventories in the amount of approximately HK\$4.2 million.

## **PRODUCTION**

### **Overview**

Our production process for all of our knitwear products, whether designed by us, by our customers or jointly by our customers and us, are the same. We produce our products in our own production facilities which include our PRC Factory located in Huizhou, Guangdong Province, PRC and our Vietnam Factory located on the outskirts of Ho Chi Minh City, Vietnam. During the Track Record Period, we also outsourced parts of the production process of our products to third-party manufacturing subcontractors mainly to supplement our capacity during peak seasons.

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Upon completion of our product planning and design and development processes, we produce product samples to our customers. Once our samples are approved by our customers, our customers place orders with us and we then place orders with our suppliers for the necessary raw materials.

The raw materials we use to produce our knitwear products include yarn and accessories. The yarn we use includes the following:

1. yarn specified by our customers and which we purchase from our yarn suppliers;
2. yarn jointly developed by our design and development team and our customers/suppliers and which we purchase from our yarn suppliers;
3. yarn developed by our design and development team alone and which we purchase from our yarn suppliers; and
4. cashmere yarn that we spin with our own cashmere spinning machines at our PRC Factory. For the production process of our cashmere yarn, please refer to the section headed “Business — Production — Production process of cashmere yarn” in this prospectus.

Accessories which we use in our production process purchased from our suppliers include buttons, zippers, hangtags and labels.

We conduct various laboratory tests on samples taken from randomly selected batches of yarn that are delivered to us in our Testing Centre at our PRC Factory before they are used in our production process. Throughout the production process, every semi-finished product undergoes stringent quality inspection by members of our production staff as it moves along each stage of the production process. Our finished products are delivered to our customers directly after our final quality inspection.

### **Pre-production sample development**

As at 30 September 2015, our sample development department had 369 staff. Before the production process of our knitwear begins, our design and development team will meet with our customers or their agents to ascertain details of the production order. Our customers will normally ask us to produce samples of the contemplated designs for their comments and approval. We will then hold a pre-production meeting with our customers to review and improve the samples and procure more advanced samples. After the samples are approved by our customers, we will develop a technical specification template, which is a master document containing precise instructions on the production order, based on the technical specifications as confirmed by our customers. A finalised purchase order will then be issued by our customers once all details of production including technical product specifications such as raw materials, colour, unit price, volume, delivery and payment terms are confirmed. We commence production process after the purchase order is received.

During the Track Record Period, the costs incurred for sample development, including labour costs and all samples produced for pre-production or for our design and development purposes, amounted to approximately HK\$35.7 million, HK\$31.3 million, HK\$37.0 million and HK\$18.5 million respectively, representing approximately 1.9%, 1.8%, 1.9% and 1.3% respectively of our total cost of sales for the corresponding years/period.

### **Production process of knitwear**

We have developed comprehensive and standardised operating procedures for our production process in order to ensure consistency and accuracy during our production process and to maintain the quality of our products. Our production process is capital intensive as it is highly mechanised and automated.

Our PRC Factory consists of 16 buildings and the first phase of our Vietnam Factory consists of three buildings. Products produced at our PRC Factory and at the first phase of our Vietnam Factory are produced through the same production process.

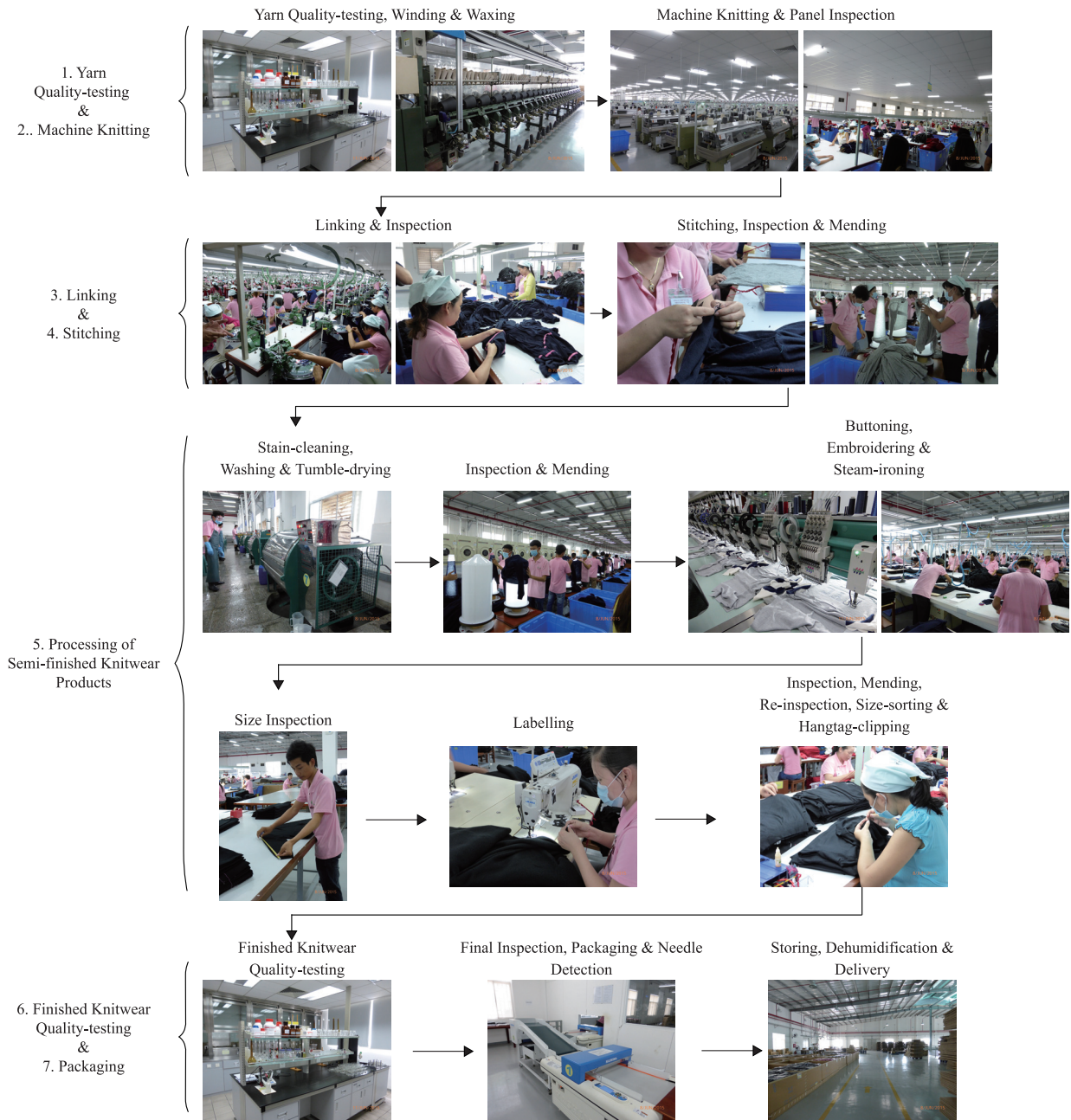
Our production process mainly comprises:

1. yarn quality testing;
2. machine knitting;
3. linking;
4. stitching;
5. processing of semi-finished knitwear products;
6. finished knitwear quality testing; and
7. packaging.

Each of the above principal steps of our production process is inspected by our production team in order to optimise efficiency and ensure product quality. In addition to the production line inspections performed by members of our production team, our quality control team, carries out further quality inspections by conducting sample checks on our semi-finished products and final products before they are delivered to our customers. Our production time from receipt of raw materials to finished products depends on the volume, complexity and urgency of the order.

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The following chart illustrates the typical steps of our principal production process after we receive the yarn supplied by our suppliers:



### **1. *Yarn quality-testing***

Once the yarn is delivered to us, we randomly select samples to perform various laboratory quality tests specified by our customers at our Testing Centre in order to ensure the quality of our knitwear products. The typical quality tests that we carry out in accordance with international standards are:

- i. Colour fastness to washing;
- ii. Colour fastness to water;
- iii. Colour fastness to perspiration;
- iv. Colour fastness to rubbing; and
- v. Colour fastness to light.

The quality-tested yarn goes through our yarn-winding machines, which wind the yarn into yarn cones in order to reduce the number of knots in the yarn, and our yarn-waxing machines, which give the yarn a smoother touch while standardising its thickness before it is used in our production process.

### **2. *Machine knitting***

The yarn is knitted into panels, such as knitted sleeves and knitted body parts by fully-automated knitting machines sourced from German and Japanese manufacturers. As at 30 September 2015, we had 3,765 and 662 sets of fully-automated knitting machines at our PRC Factory and Vietnam Factory respectively. We manually inspect all of the knitted panels for defects before they are being passed on to the linking and stitching process.

### **3. *Linking***

The knitted panels are linked together to form linked knitted panels. This linking is done manually with the help of our linking machines. Each worker involved in linking uses one set of linking machine. As at 30 September 2015, we had 5,876 and 1,500 sets of linking machines at our PRC Factory and our Vietnam Factory respectively. We manually inspect all of the linked knitwear, during which seams are checked and any loosen stitches being noticed are mended.

### **4. *Stitching***

The linked knitted panels then undergo our manual stitching process, during which finishing is done to the seams of the linked knitted panels. We manually inspect all of the linked knitted panels and seams again in more detail for completeness and neatness. Any loosen stitches being noticed are mended and any redundant strands of yarn remaining on the linked knitted panels are removed. By the end of this stage, our knitwear product is semi-finished.



### **5. *Processing of semi-finished knitwear products***

The semi-finished knitwear products undergo another round of inspection before they are sent for washing in our washing machines and for drying in our tumble dryers, after which each of these semi-finished knitwear products is manually inspected again and any defects being noticed are mended.

We then use our sewing machines to stitch buttons and our computerised embroidering machines to embroider on our semi-finished knitwear products, as required by our customers.

The semi-finished knitwear products are ironed with our steam irons, after which we manually conduct various measurements checks on all of the semi-finished knitwear products to ensure that their sizes conform to the size specifications as specified by our customers.

Lastly, we use our sewing machines to stitch size labels and brand labels onto our semi-finished knitwear products prior to undergoing another round of inspection, mending and re-inspection before they are sorted by size and clipped with hangtags to become finished knitwear products.

### **6. *Finished knitwear quality-testing***

Samples of our finished knitwear products then undergo various quality tests specified by our customers at the laboratories of our Testing Centre at our PRC Factory before the finished knitwear products are packed for delivery to our customers in order to ensure the quality of our knitwear products. The typical quality tests we carry out on the samples of our finished knitwear products in accordance with international standards are:

- i. Pilling resistance;
- ii. pH value of acidity and alkalinity;
- iii. Appearance after domestic washing or commercial dry-cleaning;
- iv. Dimensional stability to domestic washing; and
- v. Dimensional stability to commercial dry-cleaning.

### **7. *Packaging***

We carry out final inspection on our finished knitwear products before they are packaged. Packaging of our finished knitwear products are carried out in an air-conditioned room isolated from other steps of our production process in order to keep our finished knitwear products in a dry environment.

All of our packaged knitwear products are then scanned twice by our needle detectors as part of our safety inspection before our packaged knitwear products are stored in our warehouses. To ensure the safety of our packaged knitwear products, our warehouses are subject to 24-hour surveillance, only a few of our authorised employees are allowed to enter our warehouses and

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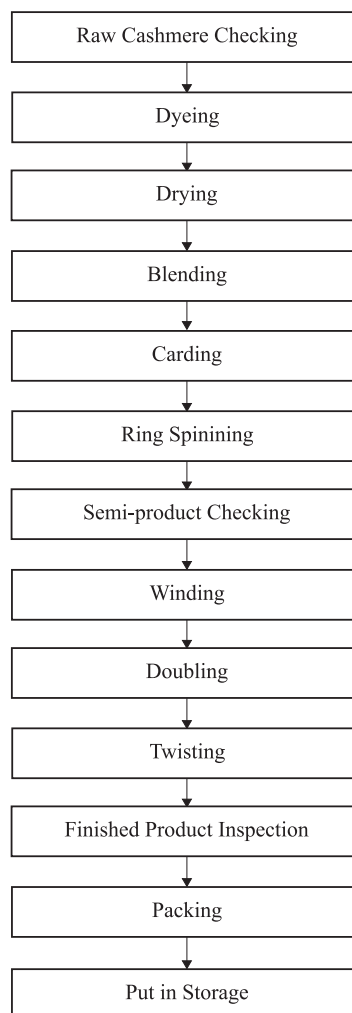
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responsible for loading our packaged knitwear products onto the delivery trucks in the presence of our security guards, and no parking of vehicles other than the delivery trucks are allowed inside and near our warehouses.

### Production process of cashmere yarn

In addition to sourcing yarn from our yarn supplier, we also spin raw cashmere into cashmere yarn with our cashmere spinning machines at our PRC Factory for use in our own knitwear production. We purchase raw cashmere from our raw cashmere supplier in the PRC.

The following chart illustrates the typical steps of our principal production process of our cashmere yarn after we receive the raw cashmere supplied by our raw cashmere supplier:



Once we receive orders from our customers, we send raw cashmere to factories, which are Independent Third Parties, to produce samples of raw cashmere dyed in the colours in accordance with our customer's specification for their confirmation. We send the amount of raw cashmere specified by our customers to such factories for dyeing once our customers confirm the colour of



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the cashmere. The raw cashmere is spun into yarn with our cashmere spinning machines followed by inspection by our quality control team to ensure that the quality meets our customer's specifications before they are packaged.

### Current production facilities and capacity

#### *Production facility at our PRC Factory*

As at the Latest Practicable Date, our PRC Factory comprised 16 buildings with an aggregate gross floor area of approximately 350,315.1 square metres, all of which are owned by us. We commenced knitwear production at our PRC Factory in 2002. Our PRC Factory comprises production facilities, warehouses for raw material storage, employee dormitories, recreational facilities, and an office block for our staff. As at 30 September 2015, there were over 7,500 employees at our PRC Factory.

The fluctuations of our utilization rates were in line with our revenue during the Track Record Period. The following table sets forth the designed production capacity, actual production volume and utilisation rate of all our knitwear production facilities at our PRC Factory during the Track Record Period:

	Year ended 31 March									Six months ended 30 September		
	2013			2014			2015			2015		
	Designed production capacity <sup>(1)</sup>	Actual production volume	Utilisation rate <sup>(2)</sup>	Designed production capacity <sup>(1)</sup>	Actual production volume	Utilisation rate <sup>(2)</sup>	Designed production capacity <sup>(1)</sup>	Actual production volume	Utilisation rate <sup>(2)</sup>	Designed production capacity <sup>(1)</sup>	Actual production volume	Utilisation rate <sup>(2)</sup>
	(Million units of knitwear)	(Million units of knitwear)	(%)	(Million units of knitwear)	(Million units of knitwear)	(%)	(Million units of knitwear)	(Million units of knitwear)	(%)	(Million units of knitwear)	(Million units of knitwear)	(%)
Peak Season <sup>(3)</sup>	16.3	14.8	91.0	17.6	14.8	84.6	17.4	15.7	89.9	12.5	11.6	93.3
Non-peak Season <sup>(4)</sup>	11.6	7.5	64.8	12.5	6.3	50.2	12.5	6.2	50.0	2.5	1.2	46.1
Annual	27.9	22.3	80.1	30.1	21.1	70.3	29.9	21.9	73.3	15.0	12.8	85.4

#### *Notes:*

1. The designed production capacity is an estimate based on the management's estimate of the number of knitwear pieces that a machine is capable of producing on an annual basis and this is based principally on the amount of time needed to knit a fairly standard garment. The designed production capacity is derived from the assumption that we are in production for 23 hours per day and 336 days per year and calculated by the number of machines as at the financial year end. Therefore, the actual production capacity may differ from the designed production capacity.
2. The utilisation rate for each of the periods indicated is derived by dividing the actual production output by the designed production capacity.
3. The peak season is from May to November.
4. The non-peak season is from December to April.

***Production facility for our knitwear at our Vietnam Factory***

As at the Latest Practicable Date, the first phase of our Vietnam Factory was housed in three buildings with an aggregate gross floor area of approximately 31,935.8 square metres. We commenced our knitwear production at our Vietnam Factory in the first quarter of 2015. As at the Latest Practicable Date, the knitwear products we produced at our Vietnam Factory were mainly for shipment to our customer in Japan as our Vietnam Factory was favourable to our customer in Japan given that customs duty was eliminated for imports of knitwear products from Vietnam into Japan. The premises of our Vietnam Factory comprise production facilities, warehouses for raw material storage and an office block for our staff. As at 30 September 2015, our Vietnam Factory had over 2,000 employees. During the six months ended 30 September 2015, approximately 1.1 million units of knitwear were produced in our Vietnam Factory which had a designed production capacity of approximately 2.2 million units of knitwear during the six months ended 30 September 2015.

We have commenced construction of the second phase of our Vietnam Factory and expect the construction to be completed in the first half of 2016. Production is expected to commence thereafter. It is currently expected that four six-storey factory buildings will be built for our knitwear production facilities at the second phase of our Vietnam Factory with an aggregate gross floor area of approximately 95,000 square metres. It is expected that the second phase of our Vietnam Factory will house over 1,300 sets of fully-automated knitting machines which are sourced from German and Japanese manufacturers, with a designed annual production capacity of approximately 12.6 million units of knitwear. The total capital expenditure for second phase of the Vietnam Factory is approximately HK\$500 million. We expect to finance this construction project with cash generated from operating activities and proceeds from the Global Offering and bank and other borrowings. The second phase of the Vietnam Factory is expected to commence operations after the construction is completed.

Given that the first phase of our Vietnam Factory only commenced its operations in the first quarter of 2015 and is still in the ramp up phase, we have been focusing on training our staff to ensure increased efficiency in our entire production process in our Vietnam Factory. Based on our previous experience in ramping up our PRC Factory, we expect that it will take about two to three years for our Vietnam Factory (inclusive of first and second phase) to fully ramp up. We expect that it will take till the end of the first half of 2016 for the first phase of our Vietnam Factory properly train up such labour force to the standard which we expect from our labour force in our PRC Factory.

Until our labour force is properly trained up to our required standard, we do expect the actual production capacity at our Vietnam Factory to be less than its designed production capacity. The quality of our knitwear products is likely to be affected if we ramp up production at our Vietnam Factory in the absence of a properly trained labour force. Notwithstanding, our training schedule is on track. For the six months ended 30 September 2015, approximately 1.1 million units of knitwear were produced in our Vietnam Factory, which showed a significant increase as compared to the 22,400 units of knitwear produced in the year ended 31 March 2015.

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Prior to the commencement of operations of the first phase of our Vietnam Factory, the utilisation rate during peak season at our PRC Factory for the Track Record Period ranged from about 85% to 93%. During such period, we had existing clients who requested for additional orders that we were unable to fulfil due to such relatively high utilisation rate in our PRC Factory. Since the commencement of operations of the first phase of our Vietnam Factory, we moved some of our sales orders from one of our top customers for its sales to Japan from our PRC Factory to our Vietnam Factory. As at the Latest Practicable Date, the knitwear products we produced at our Vietnam Factory were solely for shipment to such customer and our one other top customer. Such customers and also our one other top customer have verbally indicated they will place additional orders to fill up the production capacity of the first phase of our Vietnam Factory, as well as the second phase of our Vietnam Factory once it is completed. In addition, we are in negotiation with various new customers, including two potential customers which are Japanese brands, who have also verbally indicated a willingness and desire to place orders for production from our Vietnam Factory. These existing and potential customers have verbally indicated to us that they are willing to place additional orders of approximately 7 million pieces of knitwear products for production from our Vietnam Factory for the year ending 31 March 2017. As at the Latest Practicable Date, we have informed such potential customers that current production from the first phase has already been committed to sales mainly to Japan but that we would consider their requests and orders as production in the first phase of our Vietnam Factory further ramps up and second phase is completed. Based on such historical potential and existing customers' enquiries and feedback and developments in trade agreements to which Vietnam is a party, we believe that there will be sufficient orders for our Vietnam Factory as production ramps up over time.

We have made our investments in Vietnam in the belief that, over time, this would result in an overall lower cost of production for our Group as a whole. Based on current information and assuming any increases in cost of labour and utilities will continue to lag behind those in China, we expect that our cost of production will decrease after commencement of full operations of the first and second phase of our Vietnam Factory. Specifically, costs of labour, electricity and water in Vietnam are less than that in China and we expect such trend to continue in the near term. Based on our historical costs and some estimations in order to derive reasonable comparables, the cost of labour, electricity and water relating to production at our Vietnam Factory is estimated to be at least 55% less than that in our PRC Factory. In addition, the tax rates applicable to our subsidiaries in Vietnam is also lower than that in the PRC. Our subsidiaries in the PRC are subject to the enterprise income tax at a rate of 25% on estimated assessable profits whereas our subsidiary in Vietnam is subject to corporate income tax at the rate of 20% on taxable income for the first 10 years from the commencement of operation. It is also exempted from corporate income tax for the first 2 years from the first year of earning taxable profit and is eligible from a 50% reduction in the corporate income tax rate in the 4 years thereafter. In light of the above, we expect our Group's overall profitability will be further enhanced after the commencement of full operations of the first and second phase of our Vietnam Factory.

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### **Major machinery and equipment**

The principal production machines owned by us and used in our production process include our linking machines and our fully-automated knitting machines. As at 30 September 2015, we had 5,876 and 1,500 sets of linking machines, and 3,765 and 662 sets of fully-automated knitting machines at our PRC Factory and Vietnam Factory respectively. Apart from our fully-automated knitting machines and linking machines, we also owned other machines which we use in our production process including six sets of computerised embroidering machines and 11 sets of cashmere spinning machines in our PRC Factory as at 30 September 2015. Most of these machines were sourced mainly from PRC, German and Japanese manufacturers, having an estimated useable life generally ranging from 10 to 15 years. The ages of our machines range from one to 17 years old. We purchase most of our knitting machines through hire purchase agreements during the Track Record Period. We conduct regular cleaning and maintenance on our machines and equipment. During the Track Record Period and up to the Latest Practicable Date, there had been no major disruptions of our business operations resulting from insufficient machines or equipment failure.

### **Outsourced manufacturing**

Whilst we use our own production facilities at our PRC Factory and Vietnam Factory to produce our products, during the Track Record Period, we did outsource parts of the production process of our products to our subcontractors mainly to supplement our capacity during the peak season. For details of our subcontractors and the selection criteria of our subcontractors, please refer to the paragraph under the section headed “Business — Procurement — Subcontractors” in this prospectus.

The yarn and other raw materials which our subcontractors use in their production of our products are supplied by us after passing the various quality tests mentioned above. During the Track Record Period, we sent our staff to be permanently stationed at the factory of some of our subcontractors to assist in the checking and maintenance of the quality of our products produced by our subcontractors during their entire production process. Semi-finished products produced by our subcontractors are delivered to us after they are quality-inspected by our staff at the factory of our subcontractors.

### **QUALITY CONTROL**

We are strongly committed to product quality and have established a stringent quality control system over the course of our entire production process, which we believe is one of the principal factors contributing to our success. Moreover, in light of the keen competition in the global fashion apparel retail market and international branding of our customers in the global apparel market, our customers put great emphasis on product quality and safety. We agree to abide by the respective terms and conditions or respective codes of conduct of certain of our customers which include the requirements of our knitwear products to conform to certain laws or regulations and to our customers’ specifications. As such, we have adopted comprehensive quality control procedures to ensure that our products meet national, industry and our internal standards.

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Some of our customers require us to abide by a code of conduct. While each customer's requirements differ, set out below are some of the expectations set out in some of our major customers' codes of conduct:

- *No discrimination and harassment:* Business partners shall not discriminate in employment, including with regard to hiring, compensation, advancement, discipline, termination and retirement, whether on the basis of factors such as gender, race, religion, age, disability and sexual orientation, and shall treat employees with respect and dignity.
- *Child labour:* The age of the employees of business partners shall generally be at a minimum of 15 year old (or in accordance with the specific requirements under the respective codes of conduct of our customers).
- *Wages:* Employees of business partners shall be paid wages and benefits which at minimum comply with any applicable laws of the country where they are employed in and match the local industry practices.
- *Working hours:* Business partners shall set working hours that comply with the applicable laws of the country where they are employed in.
- *Customs laws:* Business partners shall comply with all applicable customs laws and regulations.
- *Environmental, health and safety:* Business partners are required to comply with all applicable environmental and safety laws, rules and regulations at their facilities and in the countries in which they operate, and shall provide a safe and healthy workplace for their employees.

In accordance with the respective codes of conduct of our major customers, our major customers may conduct on-site inspections of our production facilities to ensure that the requirements as stipulated in their respective codes of conduct have been complied with. In general, our major customers may terminate business with us in the event that we breach their respective codes of conduct.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that our Group and our subcontractors have been in full compliance with our customers' stringent quality control requirements and their respective codes of conduct.

Our quality control measures are implemented throughout our production process, from the purchase of raw materials through to packaging:

### *Suppliers*

We evaluate our suppliers from time to time and conduct necessary on-site assessments at the premises of our main suppliers. Please see the section headed "Business — Procurement — Suppliers" in this prospectus.

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*Yarn* We conduct various quality tests on our yarn before the yarn is used in our production process to ensure the quality of our knitwear products. For details, please see the section headed “Business — Production — Production process of knitwear — 1. Yarn quality-testing” in this prospectus.

*Production* We carry out various inspections, checks and re-checks at each principal stage of our production process by the members of our production team, including inspections of the knitted panels after machine knitting, inspection after linking and inspection after stitching, inspection after washing and size inspection and checks and re-checks after ironing for our semi-finished knitwear products. Our quality control staff is responsible for sample checking of our semi-finished products and finished products at various stages in the production process. Various quality tests, final inspection and needle detection are carried out on the finished knitwear products. These various inspections and checks throughout our production process ensure that our knitwear products adhere to our customers’ specification, comply with our quality standards and are free of major defects. For details, please see the section headed “Business — Production — Production process of knitwear” in this prospectus.

*Outsourced manufacturer* We select contract manufacturers by evaluating several criteria, including their ability to produce quality products and their prices, and conduct necessary on-site assessments at the premises of our subcontractors. For details, please see the section headed “Business — Procurement — Subcontractors” in this prospectus.

We have applied for and maintained the ISO 9001:2008 certification for the manufacture of knitted sweaters since 2004. These certifications are evidences that our quality control system meets international standards. We have also set up laboratories at the Testing Centre of our PRC Factory to conduct internal quality tests on our yarn and finished knitwear products in accordance with international standard. Our Testing Centre has been SGS-certified to carry out various quality tests on our yarn and our finished knitwear products since 2007. Our Testing Centre and certain of our staff have also been certified by our major customers to carry out specified quality testing on our yarn and finished knitwear products on their behalf. Some of our major customers also send their quality control staff to conduct quality inspection of our semi-finished and finished products.

As at 30 September 2015, our quality control departments of our PRC Factory and our Vietnam Factory comprised a total of 65 staff, with Mr. Wong Ting Chun, our executive Director, overseeing the two departments. The experience of Mr. Wong Ting Chun are set out in the section headed “Directors and Senior Management” in this prospectus.

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During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. During each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the defect rates of our finished knitwear products were maintained at 0.007%, 0.005%, 0.122% and 0.003% respectively. Under comprehensive quality control inspection carried out by our quality control staff stationed at the factories of our subcontractors, our Directors confirm that the defect rate of our semi-finished products produced by the subcontractors were maintained at a minimal level.

We believe that our commitment to high quality and reliability helps strengthen the recognition and trust among our customers which in turn increase the orders placed with us.

### SALES

#### Our customers

Our customers are generally international apparel brands based in Japan, the US and Europe, some of which place orders and/or settle their payments with us via their designated sourcing agents.

While we have built up a diverse customer portfolio, having approximately 25, 25, 28 and 17 key customers place orders with us directly or through their designated sourcing agent for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively, we currently have a relatively concentrated customer base. The revenue attributed to our five largest customers amounted to approximately 95.3%, 93.1%, 92.3% and 91.9% of our total revenue for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The revenue attributed to our largest customer, UNIQLO, amounted to approximately 54.8%, 50.0%, 52.3% and 49.8% of our total revenue for the corresponding years/period respectively. During the Track Record Period, our five largest customers are all international apparel brands which include UNIQLO, Tommy Hilfiger and Lands' End.

Our Directors confirm that none of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company, had any interest in any of the five largest customers of our Group during the Track Record Period. During the Track Record Period, none of our major customers were also our suppliers.

We enter into individual purchase orders with our customers, or their designated sourcing agent, for sales of our knitwear products. We generally grant our customers credit period ranging from 0 to 60 days. The terms included in these purchase orders usually include the specifications of the product, unit price, volume, delivery and payment terms. Our purchase orders with our customers, or their designated sourcing agent, provide for mutually agreed selling price and do not provide for price adjustment mechanisms. We also agree to abide by the respective terms and conditions or respective codes of conduct of certain of our customers which include the



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requirements of our knitwear products to conform to certain law or regulations and to our customers' specifications, and that we obtain consent required from our customers for our engagement of any subcontractors.

As at the Latest Practicable Date, we had eight to 20 years of business relationship with our five largest customers and 20 years of business relationship with our largest customer, UNIQLO. We have developed and maintained long-term relationships with our major customers even though we have not entered into any long-term agreements with them. For the related risks, please refer to the section headed "Risk Factors — We rely on several major customers and generally do not enter into long-term contracts with our customers. This may materially and adversely affect our business, growth prospects, financial condition and results of operations" in this prospectus. In view of the relatively concentrated customer base, we continue to seek to expand and diversify our customer base. During the year 2014 and the period from January 2015 up to the Latest Practicable Date, we have gained eight and five international and PRC apparel brands which were all Independent Third Parties as our new customers respectively. Such new customers mainly included premium international fashion apparel brands, PRC fashion apparel brands, a US functional sportswear brand as well as global and PRC online retailers. The addition of these new customers was mainly the direct result of the recent expansion of our sales force, including the addition of two new sales directors and a merchandising director in 2015, which allowed us to leverage on their experience and networking in the industry to secure and service new customers. For the year ended 31 March 2015 and the six months ended 30 September 2015, our revenue generated from such new customers amounted to approximately HK\$10.4 million and HK\$9.4 million respectively. Going forward, we intend to further strengthen our sales and merchandising team to cope with our growing customer base. For details, please refer to the paragraph headed "Sales and merchandising" under this section.

In view of our expanded customer base in the PRC, our PRC subsidiary, Huizhou Lihao, whose products have been exported and sold domestically during the Track Record Period, has been designated as our main subsidiary to service our PRC customers. In order to accommodate future expansion of our customer base in the PRC, Huizhou Lihao may expand its production capacity if necessary. If further resources are required, we may consider establishing another subsidiary for PRC domestic sales and/or utilise our other PRC subsidiaries namely, Nanxuan Knitting and Huizhou Liyun, and/or converting Nanguan Knitting into foreign-invested enterprises or other types of enterprises pursuant to the relevant PRC regulations, to cater to any such increased demand from our PRC customers. For Nanxuan Knitting and Huizhou Liyun to be able to cater to PRC domestic sales, according to our PRC legal advisers, prior approval from and registration with the relevant PRC authorities are required for the amendment of business activities stated in their respective business licences. Such process is expected to take approximately two months and the related application fees payable to the governmental authorities are expected to be insignificant.



### **Pricing policy**

We adopt a cost-plus pricing model which takes into account a range of factors when determining the price of our knitwear products. Such factors include the quantity of an order, the technical requirements of our products such as density, weight, types and amount of yarn utilised as required by our customers, the production costs including subcontracting charges, the production lead time required by our customers, and the prices of raw materials. Accordingly, the prices of our knitwear products vary significantly.

### **Logistical services**

Most of our products are delivered to our customers on free on board terms as stipulated in our customers' purchase orders. We have our own logistic team to arrange for the delivery of finished products from our production facilities to the forwarders at the designated ports of shipment of our customers in Hong Kong, the PRC or Vietnam through the use of our outsourced logistics service providers. We are responsible for the cost of transportation incurred from the delivery of our products to our customers' designated ports of shipment. All finished products are packed carefully in our highly controlled, packaging area which is subject to 24 hour surveillance in accordance with our customers' specifications and requirements before they are loaded onto delivery trucks and taken to our customers' designated ports of shipment in Hong Kong, the PRC or Vietnam on free on board shipment terms as stipulated in the purchase orders, which means the passing of title and the risk of the finished products to our customers occurs when the finished products are loaded onto the ship for export at the designated ports of shipment in Hong Kong, the PRC and Vietnam.

### **Sales and merchandising**

As at 30 September 2015, our sales and merchandising team consisted of 147 employees and was led by our dedicated sales and merchandising directors, most of whom have more than 20 years of experience in knitwear manufacturing or related industries. Our sales and merchandising team is principally responsible for cultivating and maintaining an effective communication with our existing and potential customers and/or their designated sourcing agents. In particular, they are responsible for procuring new customers, maintaining relationships with existing customers, handling customer inquiries and following up on orders and shipments.

Our sales and merchandising team also assists on the design front through close collaboration with our customers' design teams by presenting them with comprehensive market trends and design ideas prepared by our design and development department approximately a year in advance of individual seasons. Once initial design direction has been established, our sales and merchandising team works closely with our design and development department to prepare samples and makes further presentations until details of knitwear designs have been agreed upon with our customers and purchase orders are received. For further details on our design and development process, please refer to the section headed "Business — Design and Development" in this prospectus.

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Besides maintaining frequent communication with our existing customers, our sales and merchandising team would also seek to expand our customer base by bringing in potential customers through their own networks and by building relationships with potential customers through presenting our strength and showcasing our products and services to them. We believe direct promotion and discussion with potential customers are the most effective means to expand our business.

In order to further strengthen our sales and merchandising department, we had recently recruited two sales directors in 2014 with over 15 years of experience in knitwear manufacturing and related industries, and one merchandising director in 2015 with approximately five years of experience in the knitwear manufacturing industry, with the aim of leveraging their experience in the industry to service newly added apparel brands and to target new global apparel brands. We also intend to engage additional sales and merchandising staff, with a view to leveraging their experience and contacts within the apparel industry to guide and support our customer base expansion.

### MARKET AND COMPETITION

We are one of the leading knitwear manufacturers in the PRC by manufacturers' revenue in 2014, according to the Euromonitor Report. However, the knitwear manufacturing market in the PRC is highly fragmented. According to the Euromonitor Report, there are over 10,000 knitwear manufacturers located in different regions across the PRC and the top 5 players in the PRC knitwear manufacturing industry accounted for only 2.1% by manufacturers' revenue in 2014. In response to increasing labour and rental costs, some of these manufacturers are shifting their manufacturing bases out from the PRC to various Southeast Asian countries such as Vietnam. Mergers and acquisitions have also taken place as players seek to consolidate their resources to improve their operational efficiency. Nevertheless, the market would still remain fragmented, given the very large number of existing manufacturers. In addition, as the entry barriers of the knitwear manufacturing industry in Southeast Asian countries are relatively low due to the relatively lower labour costs compared to the PRC, the competition in our industry is keen.

We compete with our major competitors in the PRC knitwear manufacturing industry on the basis of our product quality, design and development capability, timely delivery, valuable one-stop solution services, customer recognition and industry reputation. We position ourselves as a knitwear manufacturer targeting mainly international apparel brands, we do not face competition from small-scale manufacturers which focus mainly on small-to-medium sized apparel makers or brand owners. In addition, as we have established strong, loyal and long-term relationships with international apparel brands with relatively high quality standards, it is difficult for other manufacturers to compete with us for customers within the apparel market. For more information on the competitive landscape of our industry, please refer to the section headed "Industry Overview" in this prospectus.

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### PRODUCT RETURNS, WARRANTY AND LIABILITY

We are exposed to potential product liability claims in respect of injuries alleged to be caused by our products purchased by the end user, although consumers often sue the retailer only as a matter of convenience and due to the fact that the end user often knows only the retailer but not the other parties in the chain of sale. Our Directors consider that the risk of potential product liability claim is relatively low in view of the nature of our products. Notwithstanding, we provide warranties to certain of our customers as to the quality of products we manufacture.

As a general policy, we will accept any product returns made due to defects caused by us and bear the costs of such products returned to us after conducting investigation to ascertain the cause of the defect. Depending on the circumstances of each case, we may repair or replace the defective products or may sometimes refund to our customer if the default is caused by us. If we receive a defective product complaint from a customer, we will conduct an investigation to ascertain the cause of the defect and may seek compensation from any third party supplier or subcontractor if they are at fault. During the Track Record Period and up to the Latest Practicable Date, there were no actual or threatened material product liability claim against us, and we have not experienced any product recalls nor any major customer complaints against our products. For the risk of potential product liability to which we may be exposed, please refer to the section headed “Risk Factors — Risks Relating to our Business — We are exposed to product liability or personal injury claims which may materially and adversely affect our reputation, prospects, financial condition and results of our operations” in this prospectus.

### INSURANCE

We maintain insurance coverage against the risk of loss or damage to our raw material inventory, semi-finished products and finished products stored within our premises. Insurance also covers inventory in transit between Hong Kong and the PRC, as well as those in transit between PRC provinces. We also maintain marine cargo insurance to cover shipment of raw materials, semi-finished products and finished products from Hong Kong to the PRC and vice versa, and anywhere within the PRC on an annual basis.

We maintain insurance policies against loss or damage to our office and business interruption in Hong Kong, employees occupational health and safety, travel and medical insurance for its staff in Hong Kong. We also maintain insurance coverage for the risk of loss or damage to the assets, machinery and equipment installed at our PRC Factory and our Vietnam Factory. We maintained product liability insurance and third-party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations in our PRC Factory and our Vietnam Factory. During the Track Record Period and up to the Latest Practicable Date, we had not made, or been the subject of, any material insurance claim.

We have also maintained unlisted key management insurance policies for insurance coverage for certain of our Directors.

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Our Directors are of the view that our insurance coverage is adequate and is in line with the industry practice.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we owned the rights to three domain names registered in the PRC, eight domain names registered in Hong Kong, two trademark registered in the PRC and three trademarks registered in Hong Kong for our business operations. For further details, please refer to the section headed “Appendix V — Statutory and General Information — B. Information about Our Business — 2. Intellectual property rights of our Group” in this prospectus.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings in respect of, and we are not aware of any claims of infringement of any intellectual property rights that may be threatened or pending, in which we may either be involved as a claimant or respondent.

### LAND AND PROPERTY INTERESTS

During the Track Record Period, we occupied a property of a total gross floor area of approximately 3,862.0 square meters for the office premises for our headquarters and five car parking spaces in Hong Kong. Such property and car parking spaces were owned by Senico Industrial. As part of the Reorganisation, Senico Industrial has transferred these properties to Hanyi Investments, which is a wholly owned subsidiary of Winnermax, which is in turn wholly-owned by our Controlling Shareholders. Upon completion of the Reorganisation, we have entered into a tenancy agreement with Hanyi Investments for the leasing of such properties, which constituted a continuing connected transaction for our Company. For details of the transfer and tenancy agreement, please refer to the sections headed “History, Reorganisation and Corporate Structure — Reorganisation — The acquisition of Senico Industrial and the disposal of excluded business” and “Connected transactions — 3. Tenancy Agreement” in this prospectus. We are the registered owner of a property of a total gross floor area of approximately 500.1 square meters and a car parking space in Hong Kong which were leased to an Independent Third Party during the Track Record Period.

As at 30 September 2015, we leased one parcel of land with a gross land area of approximately 134,002.6 square meters for the first and second phase of our Vietnam Factory located on the outskirts of Ho Chi Minh City, Vietnam for a term commencing from April 2014 to December 2058. The first phase of our Vietnam Factory comprises three main buildings and other facilities with a total gross floor area of approximately 31,935.8 square meters. We have commenced construction of the second phase of our Vietnam Factory which is expected to be completed in the first half of 2016, and production is expected to commence thereafter. As at the Latest Practicable Date, our Vietnamese legal advisers confirmed that the leasing of the leased land by us and the associated land use rights granted to us is legal and valid.

As at 30 September 2015, we had the right to use one parcel of land with a gross land area of approximately 365,700 square meters for our PRC Factory comprising 16 buildings with a total gross floor area of approximately 350,315.1 square meters located in Huizhou, the PRC. For details,

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please refer to the section headed “Property Valuation Report” in Appendix III of this prospectus. As at the Latest Practicable Date, our PRC legal advisers confirmed that we had obtained all relevant properties title certificates and the relevant land use rights certificates for our PRC Factory.

Save as disclosed in this prospectus, we did not lease any of our properties to third parties as at 30 September 2015.

### EMPLOYEES

As at 30 September 2015, we had a total of 10,036 employees, of whom 88 were located in Hong Kong, 7,875 were located in the PRC and 2,073 were located in Vietnam.

The following table sets out a breakdown of the number of our employees by function as at 30 September 2015:

<u>Function</u>	<u>Number of employees</u>
Executive officers	37
Sales and merchandising	147
Design and development	17
Sample development	369
Production	8,695
Quality control	65
Testing centre	7
Finance and accounting	33
Internal audit	2
Information technology	14
Procurement	58
Logistics	59
Corporate social responsibility	12
Human resources and administration personnel <i>(Note)</i>	<u>521</u>
<b>Total</b>	<b><u><u>10,036</u></u></b>

*Note:* Administration personnel includes kitchen staff, cleaners and gardeners.

We believe our working environment and employee development opportunities have contributed to good employee relations and employee retention. We recruit our employees based on a number of factors such as their work experience, educational background and our vacancy needs. When recruiting for our Hong Kong and PRC offices, we typically hire through online advertisements, internal referrals, headhunters and campus recruitments. When recruiting for our Vietnam office, we typically advertise online and through newspaper and on-site postings.

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We enter into individual employment agreements with our employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. We provide introductory and continuous training programmes for our employees to equip them with the requisite skills and knowledge for their positions.

We have adopted labour unions for our employees in the PRC and Vietnam to protect their rights and to encourage them to participate in the management of our business. During the Track Record Period and up to the Latest Practicable Date, none of our employees has negotiated with us on the employment terms through the labour unions or in a way of collective bargaining and we had not experienced any major labour disputes or labour strikes that have interfered with our operations in any material respect.

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For more information, please refer to the section headed “Regulatory Overview — PRC Regulatory Overview — Laws and regulations in relation to labour law and social security” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not received any order or notice from the local authorities nor any claims or complaints from our current and former employees for insufficient contributions by us to any social insurance or housing provident fund requesting contributions to any social insurance or housing provident fund. Some of our employees are migrant workers from rural areas, who have different levels of acceptance of the social insurance and housing provident fund systems. During each of the three years ended 31 March 2013, 2014 and 2015 and the three months ended 30 June 2015, we have only made contributions to the social insurance and housing provident funds for certain of our PRC employees as required under the relevant laws and regulations as advised by our PRC legal advisers and the estimated outstanding amounts which we did not make were approximately RMB19.2 million, RMB23.0 million, RMB26.1 million and RMB10.0 million (in respect of social insurance payments), and approximately RMB4.6 million, RMB5.8 million, RMB7.1 million and RMB3.0 million (in respect of housing provident fund contributions). We have paid our contributions to the social insurance and housing provident funds for the period starting from July 2015. For further details, please refer to the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus.

With respect to our Vietnam employees, our Vietnamese legal advisers confirmed that we have complied in all material respects with all statutory insurance obligations applicable to us under the relevant laws.

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### **CORPORATE SOCIAL RESPONSIBILITY**

We believe that being a highly socially responsible member of the community can strengthen our corporate brand and are committed to improving the social and economic welfare of the communities in which we operate. Our efforts to promote a socially responsible corporate culture are evident in our active participation in corporate philanthropic activities, which include delivering festive gifts to the elderly during Chinese New Year, and our regular sponsorship of causes which we consider worthy. During the Track Record Period, we have been sponsors to Poly U Knitwear Fashion Show of the Hong Kong Polytechnic University and the Hong Kong Young Knitwear Designers Contest with a view to encourage the development of inspirations of young designers, as well as to promote the knitwear culture. We have also participated in various charitable activities hosted by organisations such as The Community Chest of Hong Kong, Tung Wah Group of Hospitals and the Heifer International Hong Kong, with a view to show care for the solitary elderly and to assist in the alleviation of poverty in the PRC. In addition, we have provided assistance for certain unforeseen calamities and emergency situations. For instance, in the wake of the 2008 Sichuan earthquake, we donated approximately RMB1 million to the Huizhou Charity Association (惠州市慈善總會) in an effort to help offset the impact of the earthquake in Sichuan. We take pride in our socially responsible approach and intend to continue our efforts in this regard.

### **HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION**

We place great emphasis on occupational health and safety. During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major workplace accident in the course of their employment, and we had not been subject to disciplinary actions with respect to labour protection issues, nor had we experienced any claims for personal or property damage that, individually or in aggregate, have had a material effect on our financial condition and results of operations. Save as disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations in all material respects.

We have implemented measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, factory safety, work-related injuries and emergency and evacuation procedures.



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Manufacturing enterprises in the PRC are subject to various PRC environmental protection laws and regulations, which include the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》). In addition, the relevant PRC environmental protection laws impose fees for discharge of waste substances, and impose fines and indemnity for the improper discharge of waste substances and serious environmental pollution. For further details, please refer to the section headed “Regulatory Overview — PRC Regulatory Overview — Laws and regulations in relation to environmental protection” in this prospectus. Manufacturing enterprises in Vietnam are mainly subject to the Law on Investment, the Law on Enterprise, the Law on Environmental Protection, the Law on Fire Prevention and Fighting and the requirements of an environmental impact assessment report. For further details, please refer to the section headed “Regulatory Overview — Vietnam Regulatory Overview — Environmental protection” in this prospectus.

We are committed to operating in compliance with applicable environmental laws and regulations and have taken steps to ensure that any waste and by-products produced as a result of our operations are properly treated and discharged so as to minimise adverse effects on the environment. We have on-site wastewater treatment facilities at both our PRC Factory and Vietnam Factory that treat wastewater generated from our production processes. To ensure employee awareness of the importance of compliance with such requirements, we have established guidelines that set out the relevant pollutant emission and discharge limits and our internal environmental protection management procedures. During the Track Record and up to the Latest Practicable Date, we had not been subject to any material penalty or fines imposed by the relevant environmental protection authorities. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our cost of compliance with the relevant environmental protection laws and regulations were approximately nil, HK\$7.8 million, HK\$1.6 million and HK\$0.05 million respectively. We expect that our cost of compliance with applicable environmental rules and regulations will not materially deviate from the cost incurred for the same for the period ended 30 September 2015.

As advised by our PRC and Vietnamese legal advisers, save as the non-compliance incident relating to the relevant environmental laws in Vietnam as disclosed under the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus, we have complied with the relevant environmental, health and safety laws and regulations of the PRC and Vietnam.



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## BUSINESS

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### AWARDS AND ACCREDITATIONS

We have obtained numerous awards and honours in recognition of our success and achievements. Set forth below is the highlight of some of the major awards and certifications in respect of our business.

<u>Award/Certification/ Recognition</u>	<u>Awarding Authority/ Accrediting Body</u>	<u>Year awarded/Valid period</u>	<u>Description</u>
UNIQLO Quality Supplier Award	UNIQLO, our largest customer	Awarded in 2014	UNIQLO's recognition of the high quality of our products and our complete and autonomous system for quality control without the need for third party inspection
UNIQLO Supplier Certification	UNIQLO, our largest customer	Awarded for the year 2012, 2013, 2014 and 2015	We are authorised to produce products under the "UNIQLO" label as a trusted business partner for the year 2012, 2013, 2014 and 2015
Corporate Quality Assurance Laboratory Approval Certificate	SGS	The certificate is valid from August 2015 until July 2016	Our Testing Centre has been certified and approved by one of our five largest customers during the Track Record Period, to perform certain garment quality tests by personnel specified in the certificate
Tommy Hilfiger's "Best in Class 2015"	Tommy Hilfiger, our second largest customer	Awarded in 2015	We are awarded by our second largest customer, Tommy Hilfiger, for our research and development capability
Lands' End Certificate of accreditation	Bureau Veritas Consumer Products Services	The certificate is valid from December 2014 until December 2016	Our Testing Centre has been accredited by Lands' End, one of our five largest customers, to perform certain garment quality tests under the supervision of a personnel specified in the certificate
ISO 9001:2008 quality management system certification	SGS United Kingdom Ltd	The certificate is valid from March 2016 until September 2018	Nanxuan Knitting has been assessed and certified as meeting the requirements of ISO 9001:2008 for the manufacture of knitted sweaters

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<u>Award/Certification/ Recognition</u>	<u>Awarding Authority/ Accrediting Body</u>	<u>Year awarded/Valid period</u>	<u>Description</u>
ISO 9001:2008 quality management system certification	SGS United Kingdom Ltd	The certificate is valid from February 2016 until September 2018	Huizhou Liyun has been assessed and certified as meeting the requirements of ISO 9001:2008 for the manufacture of knitted sweaters
ISO 9001:2008 quality management system certification	SGS United Kingdom Ltd	The certificate is valid from November 2016 until September 2018	Nanguan Knitting has been assessed and certified as meeting the requirements of ISO 9001:2008 for the manufacture of knitted sweaters
The 4th Hong Kong Outstanding Corporate Citizenship Logo	Hong Kong Productivity Council and the Committee on the Promotion of Civic Education	The certificate was issued in January 2014	The corporate citizenship of Nanxuan Knitting has been recognised and awarded as outstanding within the Enterprise Category
“Green Medal” under the Pan Pearl River Delta Environmental Awards	FHKI One Factory-One Year-One Environmental Project Programme	The certificate was issued in February 2015	Nanguan Knitting and Nanxuan Knitting and Huizhou Liyun have been awarded as environmental friendly entities
Hong Kong — Guangdong Cleaner Production Partner	Environmental Bureau of the Government of the Hong Kong Special Administrative Region and The Economic & Information Commission of Guangdong Province	The certification is valid from February 2015 until February 2017	Huizhou Liyun and Nanxuan Knitting have fulfilled the requirement for Hong Kong — Guangdong Cleaner Production Partner (Manufacturing) and demonstrated a high commitment to cleaner production
Laboratory certification	One of our customers	The certificate is valid from June 2015 until June 2016	The Testing Centre has been authorised by such customer to perform certain test methods
Woolmark/Woolmark Blend Certificate	The Woolmark Company	The certificate is valid from July 2015 to June 2016.	Huizhou Lihao has been certified by The Woolmark Company to use the Woolmark and the Woolmark blend on products as specified in certain license agreement.
Record of Participation	Global Security Verification	The certificate is valid from August 2015 until August 2016.	Nanxuan Knitting has been assessed and certified as meeting the internationally recognized standards of supply chain security for its existing processes, procedures and infrastructure
SGS Field Solution Consultancy Service Certificate	SGS-CSTC Standards Technical Services — Guangzhou Branch	The certificate is valid from September 2015 to August 2016	The Testing Centre has been certified by the accrediting body to carry out 36 quality tests on yarn and finished knitwear products

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## BUSINESS

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<u>Award/Certification/ Recognition</u>	<u>Awarding Authority/ Accrediting Body</u>	<u>Year awarded/Valid period</u>	<u>Description</u>
Business Strategy Award	Hong Kong Apparel Society	2015	The Company has been recognised by the accrediting body as an outstanding industry enterprise which advance with time, and at the same time like to share the ways and means of attaining remarkable achievement and success

### LEGAL COMPLIANCE, LICENCES AND PERMITS

According to our PRC legal advisers and our Vietnamese legal advisers, during the Track Record Period and up to the Latest Practicable Date and save as disclosed herein, we have complied with all applicable laws and regulations in the PRC and Vietnam in all material aspects and have obtained and renewed all requisite permits, licences and approvals required for its operations in the PRC and Vietnam respectively.

**Non-compliance**

Set forth below is a summary of our material non-compliances during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters.

***Non-compliance in relation to PRC laws and regulations***

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Directors/senior management in charge of rectification	Potential impact on our operations and financial condition
<p>During the Track Record Period, we have only made social insurance payment and housing provident fund contribution for certain of our PRC employees as required under the relevant PRC laws and regulations (“<b>Social Welfare related Non-compliance</b>”). We estimate that the amounts of social insurance payments and housing provident fund contributions that we did not pay during each of the three years ended 31 March 2013, 2014 and 2015 and the three months ended 30 June 2015 were approximately RMB19.2 million, RMB23.0 million, RMB26.1 million and RMB10.0 million (in respect of social insurance payments), RMB4.6 million, RMB5.8 million, RMB7.1 million and RMB3.0 million (in respect of housing provident fund contributions).</p>	<p>The non-compliance was primarily due to the unwillingness of most of our employees to participate in making such contributions and where they did not so participate, we did not make the corresponding payments as the employer.</p>	<p>Our PRC legal advisers have advised us that, under the relevant PRC laws and regulations, if an employer does not pay the full amount of social insurance premiums, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.</p> <p>Our PRC legal advisers have also advised us that, if any competent government authority is of the view that the housing provident fund contributions could not satisfy the requirements under relevant PRC laws and regulations, it can order us to make the outstanding balance to the relevant local authorities within a given period.</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by relevant government authorities with respect to the Social Welfare related Non-compliance, nor has any order amount of social insurance payments and housing provident fund contributions. We have engaged our PRC legal advisers to conduct interviews with the competent local human resources and social security bureaus and housing provident fund management centers in Huizhou to determine the likelihood of any penalty being levied against us and the current practice of those authorities with respect to implementation and interpretation of the relevant regulations. We notified each of the authorities being interviewed of the Social Welfare related Non-compliance. The relevant local human resources and social security bureaus confirmed in the interview that:</p> <p>(a) we have made contributions to the social insurance plans and the housing provident fund for all PRC employees starting from July 2015</p> <p>(b) it would not require us to pay the outstanding balance; and</p> <p>(c) we have not been subject to any penalty imposed on us for the breach of any relevant laws and regulations.</p>	<p>Mr. Xie Mingqiang, a member of our senior management</p>	<p>Our PRC legal advisers have advised us that, based on the interviews and written confirmations, it is of the view that:</p> <ul style="list-style-type: none"> <li>the risk of us being required by the relevant local human resources and social security bureaus to pay the outstanding amount of social insurance payments and housing provident fund contributions for our PRC employees is remote;</li> <li>the risk of us being penalised by the relevant local human resources and social security bureaus for our failure to make full social insurance payments and housing provident fund contributions for our PRC employees is remote;</li> </ul>

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Directors/senior management in charge of rectification	Potential impact on our operations and financial condition
		<p>Our PRC legal advisers have advised us that, where an act of violating labour security laws, regulations or rules is neither found by the labour security administration nor reported or complained by others within 2 years, the labour security administration shall no longer investigate it. However, the period prescribed above shall begin from the date when the act of violating labour security laws, regulations or rules is terminated or fully rectified if such act is in a continuing state.</p>	<p>We have also obtained written confirmations from relevant local human resources and social security bureaus in Huizhou, to the effect that:</p> <p><i>For social insurance payment:</i></p> <p>(a) that we have made payments for all PRC employees starting from July 2015;</p> <p>(b) that they would not require us to pay the outstanding balance;</p> <p>(c) that no penalties are expected to be imposed on us; and</p> <p>(d) that they are of the view that we have not breached any relevant laws and regulations as far as they are aware.</p> <p><i>For the housing provident fund contribution:</i></p> <p>(a) that we have made payments for all PRC employees starting from July 2015;</p> <p>(b) that an officer of the human resources bureau, they did not support or encourage us to pay the outstanding balance;</p> <p>(c) that no penalties are expected to be imposed on us regarding the historical non-payment; and</p> <p>(d) that they are of the view that we have not breached any relevant laws and regulations as far as they are aware.</p> <p>In addition, we have provided training to our employees in relation to their obligations to contribute to their part of the social insurance plans in order to comply with the applicable PRC laws and regulations, the procedures for making such contributions and the consequences of non-compliance.</p>		<p>In light of the confirmations from the competent local human resources and social security bureaus and the advice given by our PRC legal advisers that the risks mentioned above are remote, our Directors do not believe that we have to make any provision for the outstanding balance of social insurance payments and housing provident fund contributions.</p> <p>Furthermore, for the same reasons as above, our Directors are of the view that this non-compliance incident has no material impact on our operations, is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.</p>

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<p>In the past, where employees had participated, we had also paid our portion of such contributions. Our employees will provide an annual confirmation to us which states that, we will provide ongoing education to employees and make it a contractual term that all employees shall make such contributions in 2016.</p> <p>For further details relating to rectification measures taken to prevent future breach and ensure ongoing compliance, please refer to the paragraph headed “Corporate governance and internal control measures” in this section.</p>		

*Non-compliance in relation to Vietnam laws and regulations*

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies taken to prevent future breach and ensure ongoing compliance	Directors/Senior management in charge of rectification	Potential impact on our operation and financial condition
<p>During the Track Record Period, First Team (Vietnam) failed to obtain certain certifications for the purpose of satisfying approvals required in connection with the environmental impact assessment report (“EIAR”).</p>	<p>The non-compliance was primarily due to the unfamiliarity with Vietnamese regulatory environment of the management of First Team (Vietnam) due to the short operating history of First Team (Vietnam).</p>	<p>Our Vietnamese legal advisers have advised us that, in the worst scenario, failure to obtain the relevant certificate prior to any of our actual operations may subject us to an administrative fine up to VND 300 million (equivalent to approximately US\$15,000), suspension of our operations from three to six months and other remedial actions.</p> <p>Our Vietnamese legal advisers have further advised that suspensions will be applied to operations causing serious consequences or practically causing serious consequences to the life, human health, environment and order, social safety in accordance with the sanctioning decision of the authorities. In case any violation is detected by the competent authorities, a minute on handling administrative violations will be prepared to record such violation and the company in breach will then be allowed to provide its explanation for the alleged violation, if any. The relevant authority has the obligation to take the explanation of such company into account before issuing a decision on handling administrative violations. If a sanctioning decision is finally issued to such company, its operations will be suspended immediately in accordance with and upon the effectiveness of the sanctioning decision.</p>	<p>Upon identification of such non-compliance, First Team (Vietnam) took the initiative to rectify such non-compliance by applying for the certification of satisfaction of the approved EIAR.</p> <p>As part of the normal regulatory procedure, the relevant authority conduct routine regulatory checks before the issue of the certificate of satisfaction of the approved EIAR. During the final check by the relevant authority before the issue of such certificate to First Team (Vietnam), two issues were being identified which included (i) one issue which was a misunderstanding by the relevant authority of the materials in our production process which caused them to believe more dust would be created than in actual fact; and (ii) certain storage facilities should be relocated or expanded in order to comply with the relevant regulations. By December 2015, First Team (Vietnam) has rectified issues and has obtained a certificate of satisfaction of the approved EIAR.</p> <p>For further details relating to corporate governance and internal control measures taken to prevent future breach and ensure ongoing compliance, please refer to the paragraph headed “Corporate governance and internal control measures” in this section.</p>	<p>Mr. Wong Ting Chun, our chief production officer and executive Director</p>	<p>If we are required to cease operations of our Vietnam Factory, i.e. the operations of our Vietnam Factory, we would likely divert the customers’ orders produced at our Vietnam Factory to our PRC Factory as production at the Vietnam Factory is relatively low given that it only commenced in the first quarter of 2015 and is still in the ramp up phase. If our PRC Factory does take over such additional production volume, our production costs are likely to increase. If the PRC Factory is unable to take over such additional production volume, our ability to meet customer’s orders will be affected.</p> <p>Our Directors are of the view that so long as we are proactive in our efforts to comply with the relevant laws and regulations and the current climate for investors in Vietnam is favourable, the risk of fine and penalty and the risk of being asked to suspend operations of First Team (Vietnam) is remote. Since First Team (Vietnam) has subsequently obtained the certificate of satisfaction of the approved EIAR, the risk of suspensions of operations no longer exists.</p> <p>Accordingly, our Directors consider that this non-compliance incident has no material impact on our operations, is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.</p>



Set out below is a summary of non-material but systemic non-compliance during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters.

*Non-compliance in relation to Hong Kong laws and regulations*

<b>Non-compliance incident</b>	<b>Reasons for the non-compliance</b>	<b>Legal consequences and potential maximum penalties</b>	<b>Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance</b>	<b>Directors/senior management in charge of rectification</b>	<b>Potential impact on our operation and financial condition</b>
Senico Industrial, South Crown, Bonny and First Team (HK) (the "HK Subsidiaries") had, for certain periods between 2004 and 2013, failed to lay before their respective annual general meetings their audited financial statements under Section 122 of the Predecessor Companies Ordinance.	The omission to lay the audited financial statements before the respective annual general meetings of the HK Subsidiaries was unintended and not wilful but was caused inadvertently on the part of the company secretary and/or company secretarial service provider employed by the HK Subsidiaries.	Upon identification of such non-compliance, we engaged counsel to advise us on Hong Kong laws ("Counsel") to issue a legal opinion on the non-compliance with the Predecessor Companies Ordinance. Our Counsel advised us that each of the directors of the HK Subsidiaries who failed to take all reasonable steps wilfully to ensure compliance with this duty would be liable to a maximum fine of HK\$300,000 and 12 months of imprisonment upon conviction.	Upon identification of such non-compliance, the directors of the HK Subsidiaries took the initiative to rectify such non-compliance by engaging an auditor to prepare the outstanding audit reports.	Mr. Tao Chi Keung, a member of our senior management	Our Counsel has advised us as that the non-compliance was caused as a result of an inadvertent omission to comply with section 122 of the Predecessor Companies Ordinance on the part of the company secretary and/or company secretarial service provider employed by the HK Subsidiaries. No wilful or serious misconduct of the directors of the HK Subsidiaries were involved. Given these reasons, our Counsel is of the view that criminal liabilities are extremely remote and are very unlikely to be imposed. The possible fine to be imposed on each director of the HK Subsidiaries will be far lower than the maximum fine.
		Subsidiaries who failed to take all reasonable steps wilfully to ensure compliance with this duty would be liable to a maximum fine of HK\$300,000 and 12 months of imprisonment upon conviction.	We have adopted the internal control measures set out in the paragraph headed "Corporate governance and internal control measures" in this section to prevent future breach and ensure ongoing compliance.		Based on the above, our Directors believe that the likelihood of being fined is remote and there will be no significant financial impact on our financial statements arising from such non-compliance. Accordingly, we have not made any provisions in the financial statements regarding such non-compliance.
		No conviction has been made and no fine has been imposed as at the Latest Practicable Date.			

**Corporate governance and internal control measures**

To prevent the occurrence of any non-compliance in the future and to improve our corporate governance, we intend to adopt or have adopted and implemented the following corporate governance measures to enhance our internal control systems and to ensure compliance with various applicable rules and regulations:

- (a) we have designated Mr. Tao Chi Keung, our chief financial officer and company secretary of our Company, who is experienced in compliance issues of a listed company, as our compliance officer to assist our Board to identify, assess and manage the risks associated with our operations from time to time;
- (b) we will appoint Guotai Junan Capital Limited as our compliance adviser upon Listing to advise us on compliance matters in accordance with the Listing Rules;
- (c) we will retain our Vietnamese legal advisers, VILAF, to advise us on Vietnamese laws and regulations after Listing;
- (d) Mr. Wong Wai Wing, Raymond, our chief operating officer and executive Director, is responsible for reviewing and updating the compliance policy and procedures on an annual basis for ensuring that the compliance policy and procedures are up to date and in accordance with the regulatory requirements;
- (e) Mr. Tao Chi Keung, our chief financial officer and company secretary of our Company, will be assigned to ensure compliance with all the statutory filings and requirements under the Companies Ordinance;
- (f) we remind and provide continuing training for our employees on a regular basis in relation to their obligations to contribute to their part of the social insurance and housing provident funds in order to comply with the applicable PRC laws and regulations, and advise them on the procedures for making such contributions to ensure due compliance of laws, rules and regulations applicable to us;
- (g) Mr. Xie Mingqiang, a member of our senior management, is appointed to monitor our on-going compliance with the social insurance plan and housing provident fund contribution regulations and other relevant PRC laws and regulations and to oversee the implementation of any necessary measures and to seek external legal advice if necessary;
- (h) we provide our Directors, senior management with continuing training development programs and/or updates regarding the relevant PRC, Vietnam and Hong Kong laws and regulations applicable to our business operations and directors' responsibilities respectively on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our executive Director, Mr. Wong Wai Wing, Raymond, is responsible for ensuring our on-going compliance;

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- (i) we will designate our existing internal control manager who currently oversees our internal control in the PRC and Hong Kong, to further oversee our internal control in Vietnam and to ensure our Group's on-going compliance with the relevant legal and regulatory requirements in Vietnam and to seek legal advice from our Vietnamese legal advisers if necessary; and
- (j) all of our management and staff are required to report to and/or notify our Directors and our compliance officer promptly of any non-compliance or potential non-compliance events.

In respect of our non-compliance matters, our Controlling Shareholders have entered into the Deed of Indemnity in favour of us whereby they agree to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any claims, fines and liabilities in relation to any regulatory non-compliance before the Listing Date.

### **View of the Directors and Sole Sponsor**

Taking into account the corporate governance measure implemented by us in relation to the non-compliance incidents described above and no further non-compliance has taken place since adoption of the measures, our Directors and the Sole Sponsor are of the view that we have adequate corporate governance and internal control measures and policies in place to prevent further occurrence of the above non-compliance by us in the future. Further, in light of the preventive measures mentioned above, our Directors and the Sole Sponsor are of the view that we have adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Listing Rules.

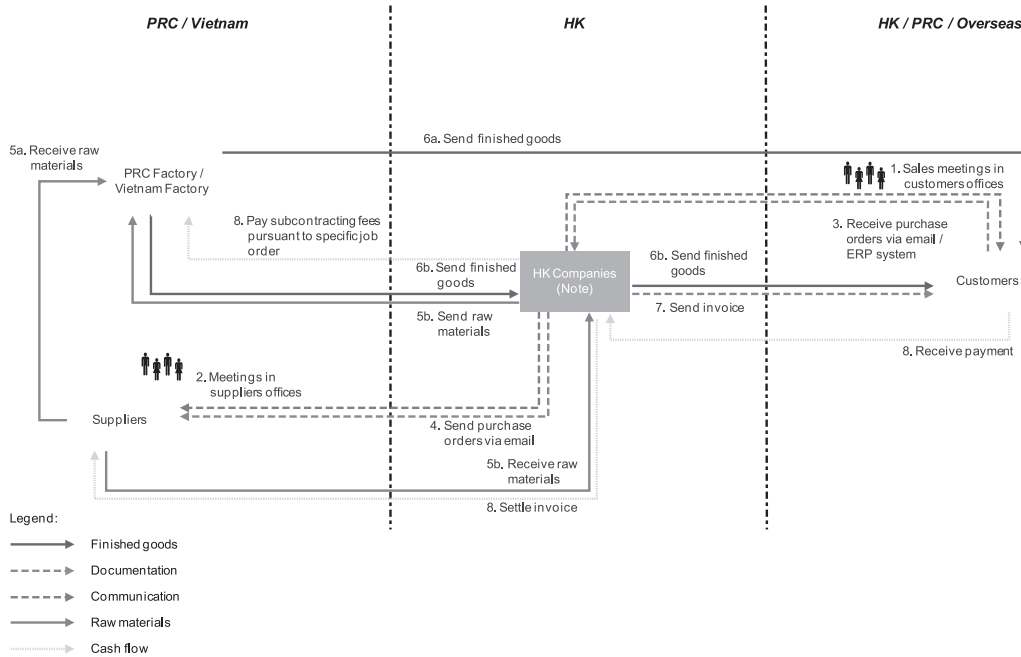
Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our corporate governance and internal control measures to avoid recurrence of these non-compliances, and the fact that, as confirmed by our Directors, the non-compliance incidents did not involve fraud or dishonesty nor did they raise any questions as to the integrity of our Directors. Our PRC legal advisers, Vietnamese legal advisers and our Counsel confirmed that, during their review of the non-compliances, they were not aware of any fraud or dishonesty involved in such non-compliance incidents, nor did they raise any questions as to the integrity of our Directors. Accordingly, our Directors and the Sole Sponsor are of the view that our Company is suitable for listing under Listing Rule 8.04.

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## TRANSFER PRICING ARRANGEMENT

During the Track Record Period, we conducted our operations mainly in Hong Kong, the PRC and Vietnam and had transactions with customers and suppliers in different countries.

A diagram detailing the business and logistics flow of raw materials and finished goods and business arrangements within our Group during the Track Record Period is set out below:



*Note:* HK Companies refer to Nameson Industrial, Kingmax Industrial, Winner Way, and First Team (HK)

Our sales and merchandising team meets with our customers in their offices for discussion on the design and quantity of knitwear, raw materials required and other sales terms such as shipment details. Our procurement team may meet with our suppliers in their offices for discussion on the types and quantity of raw materials we require from them. Once purchase orders are received from our customers via email or our enterprise resource planning system (the “**ERP system**”) in our office located in the PRC, our procurement team prepares purchase orders for raw materials in accordance with our customers’ specification in our office located in the PRC and sends them to our suppliers via emails. The raw materials which we purchased from our suppliers are shipped directly to our PRC Factory or Vietnam Factory, or in some circumstances, via transshipment in Hong Kong. Our finished knitwear products are delivered to our customers on free on board terms as stipulated in our customers’ purchase orders, from our PRC Factory or Vietnam Factory to the forwarders at the designated ports of shipment of our customers in Hong Kong, the PRC or Vietnam, or in some circumstances, via transshipment in Hong Kong. The HK Companies issue invoices to our customers, receive payment from our customers and settle invoices from our suppliers and our subcontractors.

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As illustrated above, during the Track Record Period, we primarily conducted our sales activities through the HK Companies, while all finished goods are manufactured either by our PRC Factory or Vietnam Factory. The following arrangements are regarded as related party transactions:

- processing arrangement between the HK Companies and PRC subsidiaries which included Nanxuan Knitting, Huizhou Liyun, Huizhou Jiaming and Nanguan Knitting (the “PRC Companies”)
- processing arrangement between First Team (HK) and First Team (Vietnam)
- machinery leasing arrangement between the HK Companies and PRC Companies

From a transfer pricing perspective, the PRC Companies and First Team (Vietnam) are considered as limited manufacturers, meaning that their functions are limited to the production of the products for sale by the HK Companies. On the other hand, the HK Companies, which assume the sales and marketing function, make most of the contributions to our profits.

Having taken into consideration the relevant laws and regulations relating to taxation as set out in the relevant sections under “Regulatory Overview” in this prospectus, our Directors (after consultation with our tax advisers) confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has observed the transfer pricing laws and regulations of the relevant jurisdiction and we were not aware of any audit or investigation by any tax authority in Hong Kong, the PRC and Vietnam. In addition:

### **The PRC**

- (i) Our Directors (after consultation with our tax advisers) consider that the transfer pricing position of the PRC Companies is in accordance with the requirements of the relevant transfer pricing regulations in the PRC having considered the transfer pricing methodology adopted by the PRC Companies where (i) its net cost plus (“NCP”) margin of 1.96%, 1.77% and 2.04% for each of the financial year of the PRC Companies ended 31 December 2012, 2013 and 2014 respectively falls within the arm’s length range established by comparable companies; and (ii) the tax provision has been made on the profits calculated at the above NCP at 25%. Accordingly, there were no tax exposures relating to transfer pricing in the PRC that were required to be settled with the relevant tax authority during the Track Record Period and up to the Latest Practicable Date;

### **Vietnam**

- (ii) First Team (Vietnam) was established in 2014 and has been exempted from paying corporate income tax for the calendar years 2014 and 2015. Accordingly, the Directors (after consultation with our tax advisers) are of the view that First Team (Vietnam) would not be subjected to Vietnamese transfer pricing implications or any related compliance obligations during the Track Record Period and up to the Latest Practicable Date. Going forward, First Team (Vietnam), having the same processing function as the

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PRC Companies, intend to adopt a similar transfer pricing arrangement as the PRC Companies such that it will earn an NCP margin which falls within the range of that of the comparable companies. Therefore, we expect that such future arrangements will be in accordance with the requirements of the relevant transfer pricing laws and regulations in Vietnam, assuming such laws and regulations do not change; and

### **Hong Kong**

- (iii) Our Directors (after consultation with our tax advisers) consider that, from a transfer pricing perspective, the HK Companies are entitled to and are remunerated at an arm's length transfer pricing basis from the residual profits generated from our business on the basis that the HK Companies are assuming the trading and entrepreneur role for our Group. For the machinery leasing arrangement, as the rental rate for the machinery leasing arrangement has been determined based on (i) mark-to-market rates; and (ii) the degree of utilization and usage of the relevant machinery by our PRC Factory, the transfer pricing relating to such arrangement is also considered to be on an arm's length basis. Accordingly, the transfer pricing position of the HK Companies is in accordance with the requirements of the relevant transfer pricing regulations in Hong Kong and there were no tax exposures relating to transfer pricing in Hong Kong that were required to be settled with the relevant tax authority during the Track Record Period and up to the Latest Practicable Date.

Although there is no assurance that the PRC, Vietnam and HK tax authorities will not make any transfer pricing adjustments according to the relevant laws and regulations, based on the above analysis, our Directors (after consultation with our tax advisers) are of the view that we would have reasonable grounds to defend ourselves against possible challenges to our transfer pricing arrangements resulting in relevant tax authorities requiring us to pay additional tax from us for the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed "Risk Factors — Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations and adverse determinations by tax authorities in the various jurisdictions where we operate" in this prospectus, for more details on the risk the tax authority in the relevant jurisdictions may challenge our transfer pricing arrangements.

For the time prior to the Track Record Period, we had settled additional profit tax charges as a result of the assessment by the Hong Kong Inland Revenue Department on certain of our Hong Kong subsidiaries for the periods prior to the Track Record Period. For details, please refer to the section headed "Financial Information — Description of Selected Components of Combined Income Statement — Income tax expenses" in this prospectus.

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We have engaged our tax advisers for the provision of transfer pricing and tax advisory and compliance services during the Track Record Period, and have also adopted the following measures since 2008 to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong, the PRC and Vietnam:

- our transfer pricing arrangements were monitored to ensure compliance with the arm's length principle;
- training was provided to the senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions to ensure no material deviation exists between the transfer pricing methodology adopted by us and the relevant laws and regulations; and
- all reporting forms are reviewed by two of our executive Directors before submitting to the relevant tax authority.

The Sole Sponsor has reviewed the advice from our tax advisers and discussed the transfer pricing issues with us and our tax advisers. Based on that and the provisions made (the sufficiency and adequacy of which has been the subject of the Directors' judgement after taking into account the advice from our tax advisers), the Sole Sponsor is of the view that we have sought specialist advice from a reputable firm and have no reason to doubt the sufficiency and effectiveness of the transfer pricing measures adopted by us. However, as with all matters relating to tax, that is subject to agreement with the relevant government authorities and the related risk has been disclosed under the section headed "Risk Factors — Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations and adverse determinations by tax authorities in the various jurisdictions where we operate" in this prospectus.

### LITIGATION

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

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Nameson Investments will directly hold 1,500,000,000 Shares, representing 75% of the enlarged issued share capital of our Company. Nameson Investments is a wholly owned subsidiary of Happy Family BVI, whose entire issued share capital is held by East Asia International Trustees Limited, the trustee of the Happy Family Trust. Pursuant to the trust deed establishing the Happy Family Trust, Mr. Wong Ting Chung is the settlor and protector of the Happy Family Trust for the benefit of Mr. Wong Ting Chung and certain family members.

On 28 September 2015, in preparation of the Listing, Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau executed an acting in concert confirmation and undertaking (the “**Confirmation Letter**”). Pursuant to the Confirmation Letter, Mr. Wong Ting Chung agreed that notwithstanding the terms of the trust deed, he shall prior to making any directions to the trustee in relation to Shares held under the trust, consult and/or agree with Mr. Wong Ting Chun and Mr. Wong Ting Kau the terms of such directions. Pursuant to the Confirmation Letter, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun have also confirmed, among others, that they had been acting in concert in respect of the management and operation of the business of our Group during the Track Record Period.

As such, Happy Family BVI and Nameson Investments will together be entitled to directly or indirectly exercise or control the exercise of 75% of the voting rights at the general meeting of our Company immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised but without taking into account of any options that may be granted under the Share Option Schemes). Accordingly, we consider Happy Family BVI, Nameson Investments, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun as our Controlling Shareholders for the purpose of the Listing Rules.

### EXCLUDED BUSINESSES

#### Introduction

Our Group is principally engaged in the manufacturing of knitwear products, whereas our Controlling Shareholders and their close associates currently have investments in other businesses such as the manufacturing of products which are limited to T-shirts, jackets, sleepwear, footwear and underwear (the “**Excluded Businesses**”). In order to facilitate the listing of our business in knitwear manufacturing and to expedite the implementation of our strategic direction and development plan, the Excluded Businesses, which are unrelated to the manufacturing of knitwear products, will not form part of our Group after the Listing. Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau, three of our Controlling Shareholders, are not involved in the daily operations of the Excluded Businesses.



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which have been excluded from our Group as a result of the Reorganisation are engaged in any business relating to the manufacturing of knitwear products that competes or may compete with us. The companies which have been excluded from our Group comprises (i) companies which are principally engaged in the manufacturing of T-shirts, jackets, sleepwear, footwear and underwear (the “**Excluded Manufacturing Companies**”), and (ii) companies which are principally engaged in the operation of a hotel in the PRC (together with the Excluded Manufacturing Companies, the “**Excluded Group**”).

None of our Controlling Shareholders is interested in any business which competes, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. For details of the non-competition undertakings given by each of our Controlling Shareholders, please refer to the paragraph headed “— Non-Competition Undertakings” in this section.

### **Business delineation between the Excluded Group and our Group**

The Excluded Group does not engage in the manufacturing of knitwear products. As at the Latest Practicable Date, the Controlling Shareholders confirmed that they have no current plan to inject the Excluded Businesses into our Group.

Our Directors are of the view that the hotel operation business in the PRC which is excluded from our Group is not in compete, directly or indirectly, with our knitwear manufacturing business. Based on the following grounds, our Directors are of the view that there is a clear delineation between the Excluded Businesses engaged by the Excluded Manufacturing Companies and the knitwear manufacturing business engaged by our Group, and, accordingly, our Directors are of the view that the Excluded Businesses engaged by the Excluded Manufacturing Companies are not in compete, directly or indirectly, with our knitwear manufacturing business:

- 1. Differences in terms of products and manufacturing processes between our Group and the Excluded Manufacturing Companies***

Our Directors consider that the businesses of our Group and the Excluded Manufacturing Companies are different in respect of the manufactured products, raw materials used and the production methods employed.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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The knitwear products of our Group are produced from cotton yarn, wool yarn and raw cashmere while the products of the Excluded Manufacturing Companies are limited to T-shirts, jackets, sleepwear, footwear and underwear, which are produced from ready-made fabrics. In terms of the production methods, our Group mainly comprises fabric testing, machine knitting, linking, stitching and processing of semi-finished knitwear products whereas the production methods used in the Excluded Manufacturing Companies are mainly fabric testing, paper pattern preparation, fabric cutting, panel printing and embroidery and sewing.

### **2. *Different target customers***

As the customers of our Group purchase knitwear products while the customers of the Excluded Manufacturing Companies primarily purchase products limited to T-shirts, jackets, sleepwear, footwear and underwear from them, our Group and the Excluded Manufacturing Companies target different customers. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our Group had approximately 25, 25, 28 and 17 key customers respectively, out of which one was a common customer of both our Group and the Excluded Manufacturing Companies. The amount of revenue generated by the common customer was not significant to our Group.

Our Group and the Excluded Manufacturing Companies negotiated and concluded sales contracts independently with their respective customers during the Track Record Period. As confirmed by our Directors, our sales and merchandising team has been operating independently from that of the Excluded Manufacturing Companies and our Group never experienced any material customer or order loss during the Track Record Period as a result of any potential competition between our Group and the Excluded Manufacturing Companies.

### **3. *Independence of access to suppliers***

Our Group has its own sources of raw materials, which are obtained independently from the Excluded Manufacturing Companies. For the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our Group had approximately 28, 28, 28 and 20 key suppliers respectively, out of which three were common suppliers of both our Group and the Excluded Manufacturing Companies. The total purchase amount from the common suppliers was not significant to our Group. As confirmed by our Directors, our procurement department has been operating independently from the Excluded Manufacturing Companies.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### 4. *Different product category*

The customers of our Group are generally international apparel brands based in Japan, the United States and Europe which source and sell a diversified category of apparel products in order to meet the different demands, requirements and preferences of their customers. The common customer of our Group and the Excluded Group also carries a diversified category of apparel products which includes our Group's knitwear products as one category and the clothing products of the Excluded Manufacturing Companies as another category, and also other apparel products such as scarf offered by other apparel manufacturers as other categories. For the end consumers of apparel products, their purchase of apparel products is influenced by global fashion trends and climate, as well as in accordance with their own preferences in terms of function, design, texture and prices.

Our Group and the Excluded Group supply different apparel products to their respective customers for the different apparel product categories that these customers offer. If our Group ceases to supply our knitwear products to any of our customers, or if the price and quality of our Group's knitwear products do not meet the requirements of any of our customers, these customers would only purchase knitwear products from other knitwear manufacturers and would not purchase other clothing products offered by the Excluded Manufacturing Companies as a substitute of our Group's knitwear products as they are different from and are not interchangeable with the clothing products of the Excluded Manufacturing Companies. On the same basis, an end consumer may wear a combination of knitwear, T-shirts and jackets at the same time instead of treating these products as substitutes for one another.

### **Reasons for not injecting the Excluded Businesses into our Group**

In order to facilitate the listing of our business in knitwear manufacturing and to expedite the implementation of our strategic direction and development plan, our Directors have decided not to include the Excluded Businesses as part of our Group due to, among other things, the following reasons: (i) the products manufactured by our Group (i.e. knitwear products such as knitted pullovers, knitted cardigans, knitted vests and knitted scarfs) are different from the products manufactured by the Excluded Manufacturing Companies (i.e. T-shirts, jackets, sleepwear, footwear and underwear), and the raw materials used, the production methods employed and the production machinery and equipment involved, are not interchangeable between our Group and the Excluded Manufacturing Companies; and (ii) there is no direct competition between our Group and the Excluded Group and any potential competition between our Group and the Excluded Group would be minimal and could be closely monitored as each of our Controlling Shareholders has entered into the Deed of Non-competition with our Company, and adequate corporate governance measures are in place in order to protect the interests of our minority Shareholders.

### **NON-COMPETITION UNDERTAKINGS**

Each of our Controlling Shareholders entered into the Deed of Non-Competition that pursuant to which each of the Controlling Shareholders undertakes to us that with effect from the Listing Date and for so long as the Shares remain listed on the Stock Exchange and he/it is regarded as a

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Controlling Shareholder, he/it will not, and will procure that none of his/its close associates (other than members of our Group) will directly or indirectly engage or participate in or otherwise be involved in any business (other than our business) that directly or indirectly competes, or may compete, with the business engaged by us being the manufacture of knitwear products including pullovers, cardigans, vests and accessories using materials such as blended cotton, wool and cashmere yarn (the “**Restricted Business**”), or hold shares or interest in any companies or business that compete directly or indirectly with the Restricted Business except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group. For the avoidance of doubt, “Restricted Business” does not include the manufacture and sales of T-shirts, jackets, sleepwear, footwear and underwear.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Business (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to us on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the Offer Notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- each of our Controlling Shareholders and his/its close associates shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and
- if there is material change in the nature, terms or conditions of such Competing Business Opportunity pursued by each of our Controlling Shareholders and his/its close associates, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and his/its close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/it will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he or she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association; and

We are committed that our Board shall include a balanced composition of executive and non-executive Directors (including the independent non-executive Directors). Given that the independent non-executive Directors represent at least one third of our Board, we believe that there is a strong independent element on our Board, which allows them to exercise independent judgment and to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, please refer to the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

#### **Management Independence**

Our Board currently comprises five executive Directors, four non-executive Directors and five independent non-executive Directors. Other than Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung, none of our other Directors holds any directorship or senior management role in the Excluded Group. Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung do not expect to devote substantial time in the management of the Excluded Group going forward save for attending from time to time the board meetings of members of the Excluded Group. It is expected that Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, our executive Directors, will spend substantially all of their working time in the operations of our Group after Listing.

In the event that each of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Excluded Group, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung in certain members of the Excluded Group, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the Excluded Group for the following reasons:

- (a) none of the business undertaken or carried on by the Excluded Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) we have five independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-Competition, details of which are set out in the paragraph headed “— Non-Competition Undertakings” above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Excluded Group;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) in the event of a conflict of interest, Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence, Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Wong Ting Kau and Mr. Lau Ka Keung would not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interest. Please refer to the section headed “Directors and Senior Management — Board of Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and
- (d) save as disclosed herein, our daily operations will be managed by our senior management team, with the exception of Mr. Lin Guoxin, none of whom holds any senior managerial position or directorship position within the Excluded Group.

### **Operational Independence**

We are independent from our Controlling Shareholders as we do not share operational capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. Save as disclosed under the section headed “Business — Legal Compliance, Licences and Permits — Non-compliance” in this prospectus, we are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Although we entered into certain continuing connected transactions for our Company after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed “Connected Transactions” in this prospectus.

### **Financial Independence**

All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders will be fully settled upon Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group’s borrowing will also be fully released upon Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates. In addition, we have our own internal control systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest as they related to Directors. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended and conditionally adopted our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his or her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest;
- (c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus; and
- (d) we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.



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## CONNECTED TRANSACTIONS

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### OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors and chief executive officer or those of our subsidiaries, any of their associates and any person who was our Director or a director of our subsidiaries, any of their associates within 12 months preceding the Listing Date will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after Listing will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

#### **Continuing connected transactions which are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements**

##### **1. *Master Hotel Services Agreement***

On 1 February 2016, our Company entered into a master hotel services agreement (the “**Master Hotel Services Agreement**”) with Huizhou Gangsheng Property Co., Ltd. (“**Huizhou Gangsheng**”), pursuant to which our Company agreed to engage Huizhou Gangsheng or its subsidiaries to provide hotel accommodation, catering and event hosting services to our Group, for a term commencing from 1 February 2016 to 31 March 2018 (both days inclusive). For the three years ended 31 March 2013, 2014, 2015 and the six months ended 30 September 2015, the total purchases by our Group from Huizhou Gangsheng or its subsidiaries amounted to approximately HK\$5.5 million, HK\$4.7 million, HK\$2.2 million and HK\$1.3 million respectively.

Our Directors estimate that the maximum amount of annual purchases by our Group from Huizhou Gangsheng or its subsidiaries under the Master Hotel Services Agreement will not exceed HK\$2.6 million and HK\$2.8 million for the two years ending 31 March 2017 and 2018 respectively. Such estimate is based on (i) the historical amount of the hotel services purchased by our Group from Huizhou Gangsheng or its subsidiaries during the Track Record Period; and (ii) the prevailing market price for such hotel services for the corporate entity in the open market.

Huizhou Gangsheng is owned as to 99.5% by Kong Sing (H.K.) Limited and 0.5% by Huizhou Yuefu Properties Company Limited. Kong Sing (H.K.) Limited is a wholly owned subsidiary of Brand Master Limited, which is a wholly owned subsidiary of Winnermax and in turn wholly owned by our Controlling Shareholders. Huizhou Yuefu Properties Company Limited is owned as to 52.0% by Mr. Lin Guoxian, the cousin of Mr. Wong Ting Chung and 48.0% by Ms. Wang Xiaoxia, an Independent Third Party. As such, Huizhou Gangsheng is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Master Hotel Services Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

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## CONNECTED TRANSACTIONS

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The Master Hotel Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transaction described therein. It is envisaged that from time to time and as required, individual agreements in respect of the hotel services contemplated under the Master Services Agreement may be entered into between our Group and Huizhou Gangsheng or its subsidiaries. Each individual agreement will set out the relevant hotel services to be provided by Huizhou Gangsheng or its subsidiaries to our Group, the price for hotel services to be paid by our Group and any detailed specifications which may be relevant to those agreements. The individual agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Hotel Services Agreement. As the individual agreements are simply further elaborations on the purchases contemplated by the Master Hotel Services Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Since each of the percentage ratios (other than profit ratios) for the Master Hotel Services Agreement is less than 5% on an annual basis and each of the annual cap is less than HK\$3,000,000, the transaction under the Master Hotel Services Agreement is exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

### **2. Consultation Service Agreement**

On 1 February 2016, our Company entered into a consultation service agreement (the “**Consultation Service Agreement**”) with Mr. Tam Wai Hung, David (“**Mr. Tam**”), pursuant to which Mr. Tam agreed to provide advisory services in financing, banking and marketing areas to support our business expansion and development in Hong Kong, the PRC and Vietnam. The term of the Consultation Service Agreement will be commencing on 1 February 2016 and ending on 31 March 2018 (both days inclusive). Mr. Tam has provided such advisory services to us throughout the Track Record Period for a quarterly service fee of HK\$250,000. For the three years ended 31 March 2013, 2014, 2015 and the six months ended 30 September 2015, the total amount of the consultation service fees paid by our Group to Mr. Tam was approximately HK\$0.8 million, HK\$1.0 million, HK\$1.0 million and HK\$0.5 million, respectively.

Under the Consultation Service Agreement, a quarterly service fee of HK\$250,000 will be payable by us to Mr. Tam. Accordingly, the consultation service fee payable under the Consultation Service Agreement will not exceed HK\$1.0 million and HK\$1.0 million for the two years ending 31 March 2017 and 2018, respectively. Such estimate is based on (a) the historical transaction amounts during the Track Record Period; (b) the prevailing market price of such consultation service in the open market; and (c) the estimated need for consultation service in financing, banking and marketing areas, in line with our Group's expansion plan, in the next three years.

Mr. Tam is our non-executive Director. As such, Mr. Tam is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Consultation Service Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

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## CONNECTED TRANSACTIONS

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Since each of the percentage ratios (other than the profits ratio) for the Master Consultation Service Agreement is less than 0.1% on an annual basis, the transaction under the Consultation Service Agreement is exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

### 3. *Tenancy Agreement*

On 1 January 2016, Nameson Industrial, Kingmax Industrial, Winner Way and First Team (HK) entered into a tenancy agreement (the "**Tenancy Agreement**") with Hanyi Investments, pursuant to which Hanyi Investments agreed to lease to us a property and carparks (the "**Property**") situated at Units A-C, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. The Property is for factory and ancillary office use. The Tenancy Agreement has a term commencing from 1 January 2016 to 31 March 2018 at an annual rent (inclusive of rates, government rent, management fee and property tax, all of which shall be paid by the landlord, and utility expenses, which shall be paid by the tenant) of HK\$2,785,200.

There were no historical transaction amount for the three years ended 31 March 2013, 2014, 2015 and the six months ended 30 September 2015. Our Directors estimate that the maximum transaction amount under the Tenancy Agreement will not exceed HK\$2,785,200, HK\$2,785,200 for the two years ending 31 March 2017 and 2018 respectively. Such estimate is based on the fixed monthly rent payable under the Tenancy Agreement.

Hanyi Investments is a wholly-owned subsidiary of Winnermax, which is in turn wholly owned by our Controlling Shareholders. As such, Hanyi Investments is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

The rent payable by us under the Tenancy Agreement was determined on an arm's length basis and reflected the prevailing market rent of similar properties located in similar area and taken into account the actual conditions of the Property. The Tenancy Agreement was entered into on normal commercial terms. The rent payable under the Tenancy Agreement is to be reviewed every three years, taking into account the market conditions and the prevailing market rent at the relevant time and the terms should not be less favourable than that offered by Independent Third Parties.

Since each of the percentage ratios (other than the profit ratios) for the Tenancy Agreement is less than 5% on an annual basis and each of the annual cap is less than HK\$3,000,000, the transaction under the Tenancy Agreement is exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### **Directors' view**

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions in respect of the Master Hotel Services Agreement, Consultation Service Agreement and Tenancy Agreement have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps in respect of the continuing connected transactions under the Master Hotel Services Agreement, Consultation Service Agreement and Tenancy Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

### **Sole Sponsor's view**

The Sole Sponsor is of the view that the continuing connected transactions in respect of the Master Hotel Services Agreement, Consultation Service Agreement and Tenancy Agreement have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, are fair and reasonable and in the interests of our Shareholders as a whole, and that the proposed annual caps in respect of the Master Hotel Services Agreement, Consultation Service Agreement and Tenancy Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

### **Compliance with the Listing Rules**

If the material terms of the Master Hotel Services Agreement, Consultation Service Agreement and Tenancy Agreement are altered to the extent that it is no longer an exempt continuing connected transaction or if we enter into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceed the limits for exempt continuing connected transactions referred to in the Listing Rules, we will comply with the relevant requirements of the Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of 14 Directors, comprising five executive Directors, four non-executive Directors and five independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors and non-executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Wong Ting Chung (王庭聰), <i>BBS, JP</i>	54	September 1990	11 August 2015	Chairman, executive Director, chief executive officer, chairman of the nomination committee and a member of the remuneration committee	Responsible for the overall management and formation of corporate strategy of our Group	Brother of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau, father of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung
Mr. Wong Wai Wing, Raymond (王惠榮)	46	March 1998	11 August 2015	Executive Director and chief operating officer	Responsible for the operational management, research and development and sales strategy of our Group	Brother of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung
Mr. Wong Ting Chun (王庭真)	50	November 1990	30 August 2015	Executive Director and chief production officer	Responsible for the overall management of the PRC Factory and Vietnam Factory	Brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Li Po Sing (李寶聲)	51	February 2000	30 August 2015	Executive Director and chief sales officer	Responsible for the sales management for the Europe and US market of our Group	None
Ms. Chan Mei Hing, Aurora (陳美興)	40	November 2002	30 August 2015	Executive Director and finance director	Responsible for corporate financial planning and treasury management of our Group	None
Mr. Tam Wai Hung, David (譚偉雄)	66	June 2012	30 August 2015	Non-executive Director and a member of the audit committee	Responsible for providing advice to the Board on risk management in finance and banking	None
Mr. Wong Ting Kau (王庭交)	54	November 1990	30 August 2015	Non-executive Director	Responsible for providing advice to the Board on general management and operations	Brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, uncle of Mr. Wong Wai Yue and brother- in-law of Mr. Lau Ka Keung
Mr. Wong Wai Yue (王槐裕)	33	January 2007	30 August 2015	Non-executive Director	Responsible for providing advice to the Board on finance and investment	Son of Mr. Wong Ting Chung, nephew of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau
Mr. Lau Ka Keung (樓家強), <i>MH</i>	40	August 1999	30 August 2015	Non-executive Director	Responsible for providing advice to the Board on general management and operations	Brother in-law of Mr. Wong Ting Chung, Mr. Wong Wai Wing Raymond, Mr. Wong Ting Kau and Mr. Wong Ting Chun

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Fan Chiu Fun, Fanny (范椒芬), <i>GBS, JP</i>	63	January 2016	29 January 2016	Independent non- executive Director	Responsible for Board oversight and providing independent judgement	None
Mr. Kan Chung Nin, Tony (简松年), <i>BBS, JP</i>	65	January 2016	29 January 2016	Independent non- executive Director, chairman of the remuneration committee and a member of the audit committee and the nomination committee	Responsible for Board oversight and providing independent judgement	None
Mr. Ong Chor Wei (王祖偉)	46	January 2016	29 January 2016	Independent non- executive Director, chairman of the audit committee and a member of the remuneration committee and nomination committee	Responsible for Board oversight and providing independent judgement	None
Mr. Fan Chun Wah, Andrew (范駿華)	37	January 2016	29 January 2016	Independent non- executive Director and a member of audit committee	Responsible for Board oversight and providing independent judgement	None
Ms. Lee Bik Kee, Betty (李碧琪)	65	January 2016	29 January 2016	Independent non- executive Director	Responsible for Board oversight and providing independent judgement	None

## DIRECTORS AND SENIOR MANAGEMENT

### Members of our senior management

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Tao Chi Keung (陶志強)	45	August 2015	Chief financial officer and company secretary of our Group	Responsible for financial planning, risk management and reporting and company secretarial matters of our Group	None
Mr. Chan Yiu Tung (陳耀東)	45	December 1997	Merchandising director of our Group	Responsible for merchandising management for Japan market of our Group	None
Mr. Xie Mingqiang (謝明強)	45	February 1998	Assistant general manager of PRC Factory	Responsible for the financial management and reporting, customs and government affairs of the PRC Factory	None
Mr. Lin Guoxin (林國新)	45	November 1995	Assistant general manager of PRC Factory	Responsible for the production management of the PRC Factory	Cousin of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau
Mr. Mo Erjin (莫二金)	48	March 2003	Assistant general manager of PRC Factory	Responsible for supervising the sample development in our PRC Factory	None



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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Wong Ting Chung (王庭聰)**, *BBS, JP*, aged 54, was appointed as our Director on 11 August 2015 and was re-designated as executive Director on 29 January 2016. Mr. Wong is one of our founders, the chairman and chief executive officer of our Group and is primarily responsible for overall management and formation of corporate strategy of our Group. Mr. Wong has over 30 years of working experience in knitting industry. He established his business through Hang Cheong Knitting Factory\* (恒昌織造廠), a factory engaged in the production of knitwear products, in 1982 and was responsible for overall management of the factory. Mr. Wong established our Group's business through Nameson Industrial in September 1990. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, First Team (HK), Nameson Industrial, South Crown, Kingmax Industry, Winner Way and Senico Industrial. Mr. Wong is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (全國人民代表大會香港區代表) and the chairman of Hong Kong Industrial and Commercial Association 16th General Chamber Executive Committee (香港工商總會第十六屆會董會執行委員會). He graduated from Hong Kong Yee Tong Ye College (香港易通夜中學) in 1978. Mr. Wong is the brother of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau, father of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung. Both of Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Ting Kau, Mr. Wong Wai Yue and Mr. Lau Ka Keung are our non-executive Directors.

**Mr. Wong Wai Wing, Raymond (王惠榮)**, aged 46, was appointed as our Director on 11 August 2015 and was re-designated as executive Director on 29 January 2016. Mr. Wong is the chief operating officer of our Group and is primarily responsible for the operational management, research and development and sales strategy of our Group. Currently, Mr. Wong is also the director of Senico Apparel. Mr. Wong has over 17 years of working experience in the garment and hotel industries. He joined Nameson Industrial as a senior merchandising manager in March 1998 and was responsible for marketing plan development and the execution of marketing strategy. From May 2000 to December 2004, he served as a general manager in Japan Winner Way Knitting Factory (日本力運針織廠), where he was primarily responsible for operational management of the factory. From January 2005 to August 2007, he served as a director in the human resources division of our group, where he was primarily responsible for compensation and benefit, recruitment, training development and manpower management. From September 2007 to December 2014, he served as executive director in Kong Sing (HK) Limited (港昇(香港)有限公司), a company principally engaged in hospitality management, where he was primarily responsible for the management of Crown Plaza Huizhou and Grand Square Hotel Wuhu. Since February 2012, Mr. Wong has served as a committee member of the Chinese People's Political Consultative Conference in Huizhou City (中國人民政治協商會議惠州市政協). Mr. Wong was awarded as the Young Industrialist in 2015. Mr. Wong received his bachelor's degree in commerce from the University of Calgary in Canada in June 1996. He received his executive master's degree of business administration from the City University of Hong Kong in October 2014. Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Ting Chun and Mr. Wong Ting Kau, uncle of Mr. Wong Wai

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## DIRECTORS AND SENIOR MANAGEMENT

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Yue and brother-in-law of Mr. Lau Ka Keung. Both of Mr. Wong Ting Chung and Mr. Wong Ting Chun are our executive Directors, while Mr. Wong Wai Yue, Mr. Wong Ting Kau and Mr. Lau Ka Keung are our non-executive Directors.

**Mr. Wong Ting Chun (王庭真)**, aged 50, was appointed as our Director on 30 August 2015 and was re-designated as executive Director on 29 January 2016. Mr. Wong is the chief production officer of our Group and is primarily responsible for the production management of our PRC Factory and Vietnam Factory. He joined our Group as the production manager of Nameson Industrial in November 1990 and was responsible for overseeing production and operations management. Currently, Mr. Wong assumes various directorships in our Group, including Nameson Group, First Team (HK), Nanxuan Knitting, Huizhou Jiaming, Huizhou Liyun and Huizhou Lihao. Mr. Wong has over 30 years of working experience in knitting industry. He worked as a production technician in Hang Cheong Knitting Factory\* (恒昌織造廠) from August 1982 to October 1990. In April 2009, he received the award of Model Worker of Huicheng District in Huizhou\* (惠州市惠城區勞動模範) issued by Huizhou City Huicheng District Committee of Chinese Communist Party and Huizhou City Huicheng District People's Government (中共惠州市惠城區委及惠州市惠城區人民政府). In January 2011, he received the award of Outstanding Individual of the Construction of Staff Library of Chinese Trade Unions\* (全國工會職工書屋建設先進個人) issued by All-China Federation of Labour (中華全國總工會). Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Kau, uncle of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung. Both of Mr. Wong Ting Chung and Mr. Wong Wai Wing, Raymond are our executive Directors, while Mr. Wong Wai Yue, Mr. Wong Ting Kau and Mr. Lau Ka Keung are our non-executive Directors.

**Mr. Li Po Sing (李寶聲)**, aged 51, was appointed as our Director on 30 August 2015 and was re-designated as executive Director on 29 January 2016. Mr. Li is the chief sales officer of our Group. He is primarily responsible for the sales management for the European and US market. Mr. Li joined our Group as a sales manager in February 2000 and was promoted to the senior sales manager in January 2004. He was further promoted to the general merchandising manager in February 2006 and the director of sales and marketing department in April 2007. Prior to joining our Group, Mr. Li served as a merchandising executive at Creazioni Knitters Limited (翹迅針織有限公司) from June 1989 to November 1990. From January 1991 to June 1991, he served as a senior sales administrator at ESE Limited, a sales agency for electronic products, where he was primarily responsible for providing support services to sales department. From July 1991 to August 1992, he served as a production manager at High In Factory, a sweater manufacturing company, where he was primarily responsible for production management. From August 1992 to July 1995, he served as a senior merchandiser at Vinnitsa HK Limited, a fashion agency, where he was primarily responsible for product development and production management. From August 1995 to August 1997, he served as a sales manager at Nice Harvest Knitters Limited, a sweater manufacturing company, where he was primarily responsible for production and logistic management. From June 1998 to January 2000, he served as a sales manager at Fambish Limited, a company primarily engaged in sweater manufacturing, where he was responsible for product development and sales. Mr. Li obtained his bachelor's degree of arts in history from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Chan Mei Hing, Aurora (陳美興)**, aged 40, was appointed as our Director on 30 August 2015 and was re-designated as executive Director on 29 January 2016. Ms. Chan is the finance director of our Group and is primarily responsible for corporate financial planning and treasury management of our Group. Ms. Chan joined our Group as a finance manager in November 2002 and was promoted to the senior manager of finance department in April 2005 and the finance director of finance department in April 2007. Prior to joining our Group, Ms. Chan served as an accountant at KPMG, an audit and business advisory firm, from September 1999 to October 2002. Ms. Chan received her bachelor's degree in commerce from the University of British Columbia in Canada in May 1999 and her executive master's degree of business administration from the Chinese University of Hong Kong in November 2013.

### Non-executive Directors

**Mr. Tam Wai Hung, David (譚偉雄)**, aged 66, was appointed as our Director on 30 August 2015 and was re-designated as non-executive Director on 29 January 2016. Mr. Tam has been a consultant of Nameson Group since June 2012 and is responsible for providing advice on various areas including financing, banking and risk management. Mr. Tam has more than 40 years of experience in commercial banking industry in Hong Kong and China. From January 1968 to March 1999, Mr. Tam worked in The Hongkong and Shanghai Banking Corporation and held various position including branch manager, district manager, manager in corporate banking and senior executive banking. From March 1999 to January 2012, Mr. Tam worked in Hang Seng Bank Limited and held various positions including assistant general manager, deputy general manager and chief risk officer. Mr. Tam is a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC since December 2012. Mr. Tam is also an independent non-executive director of Xinyi Glass Holdings Limited, a company principally engaged in the production and sales of a wide range of glass products, listed on the main board of Stock Exchange (stock code: 868). Mr. Tam became a fellow member of each of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in October 1986 and July 1995 respectively. Mr. Tam received his associateship from the Institute of Bankers in the United Kingdom and completed financial studies diploma of the Chartered Institute of Bankers in the United Kingdom in December 1974 and August 1987 respectively. Mr. Tam received his master's degree in business administration from the University of Toronto, Canada in June 1991.

**Mr. Wong Ting Kau (王庭交)**, aged 54, was appointed as Director on 30 August 2015 and was re-designated as non-executive Director on 29 January 2016. Mr. Wong is one of the founders of our Group. Mr. Wong currently is the managing director of De Classie Fashion (Shenzhen) Company Limited (絨華貴族時裝(深圳)有限公司), a company principally engaged in apparel and knitwear retailing in China, and Vast Success (HK) Limited (麗信(香港)有限公司), a company principally engaged in the manufacturing of footwear. Mr. Wong joined our Group as an executive director of Nameson Group in November 1990 and was promoted to the executive vice president in May 2002. He was further promoted to the managing director of Nameson Group in August 2006 and ceased to be the director in March 2013. Currently Mr. Wong has assumed various directorships in our Group, including Nameson Group, Nameson Industrial, South Crown, Kingmax Industry, Winner Way, Senico Industrial, Nanxuan Knitting, Huizhou Jiaming, Huizhou Liyun and

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## DIRECTORS AND SENIOR MANAGEMENT

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Huizhou Lihao. Currently, Mr. Wong is the vice chairman of Hong Kong Woollen and Synthetic Knitting Manufacturers' Association (香港羊毛化纖針織業廠商會) and the honorary chairman of Hong Kong Knitwear Innovation and Design Society (香港毛織創新及設計協會). Mr. Wong is the brother of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond and Mr. Wong Ting Chun, all of them are executive Directors. Mr. Wong is also the uncle of Mr. Wong Wai Yue and brother-in-law of Mr. Lau Ka Keung, our non-executive Directors.

**Mr. Wong Wai Yue (王槐裕)**, aged 33, was appointed as Director on 30 August 2015 and was re-designated as non-executive Director on 29 January 2016. Mr. Wong currently is an executive director of W&W Wealth Management Limited (華南財富管理有限公司), where he is responsible for wealth and investment management and investor relationship. From January 2007 to January 2015, Mr. Wong served as a director of Nameson Group, responsible for investment management. Mr. Wong obtained his bachelor's degree of science in computer science and the master's degree of science in international management from University of Exeter, United Kingdom in July 2005 and June 2006 respectively. Mr. Wong has served as the executive director of Hong Kong United Youth Association since July 2009 and the president of Hong Kong Industrial & Commercial Association-Youth Link since May 2012. Mr. Wong is also a committee member of the Chinese People's Political Consultative Conference Guangzhou City Haizhu District Committee (中國人民政治協商會議廣州市海珠區委員會) since August 2013. Mr. Wong is the son of Mr. Wong Ting Chung, our executive Director. Mr. Wong is also the nephew of Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

**Mr. Lau Ka Keung (樓家強)**, *MH*, aged 40, was appointed as Director on 30 August 2015 and was re-designated as non-executive Director on 29 January 2016. Mr. Lau is currently the managing director of Cheer Happy (H.K.) Limited (怡展(香港)有限公司), Join Kong (H.K.) Limited (津港(香港)有限公司) and Chancy (Hong Kong) Limited (卓斯(香港)有限公司), companies which are principally engaged in property management and development, where he is responsible for operational management and real estate development. Mr. Lau joined our Group as an IT manager of Nameson Group in August 1999 and was promoted to vice president in April 2005. He was further promoted to executive director in August 2006 and left our Group in March 2013. Mr. Lau received his bachelor's degree (Honours) in IT from Manchester Metropolitan University, United Kingdom in July 1997 and his master's degree in business administration from University of Leicester, United Kingdom in July 2008. Mr. Lau has served as a committee member of the Chinese People Political Consultative Conference in Huizhou City (中國人民政治協商會議惠州市委員會) since January 2007. He is currently served as the 13th Tianjin Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十三屆委員會). Mr. Lau is also an executive member of the 12th of All China Youth Federation (中華全國青年聯合會第十二屆常務委員會委員). Mr. Lau is the brother-in-law of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

### Independent non-executive Directors

**Ms. Fan Chiu Fun, Fanny (范椒芬)**, *GBS, JP*, aged 63, was appointed as independent non-executive Director on 29 January 2016. Ms. Fan is currently a delegate of the Hong Kong Special Administrative Region to the National People's Congress of the PRC (全國人民代表大會香港區代表), a member of the executive council of the government of Hong Kong Special Administrative Region, a special adviser to the China-US Exchange Foundation, the chairman of the board of directors of the Hong Kong Science and Technology Parks Corporation, a director of the Fan Family Trust Fund and the honorary principal of Ningbo Huizhen Academy. Ms. Fan joined the board of CLP Holdings Limited, a company listed in the main board of Stock Exchange (stock code: 0002), as an independent non-executive director in August 2011 and resigned in April 2012. She rejoined the board of CLP Holdings Limited in August 2012. Ms. Fan also joined China Unicom (Hong Kong) Limited, a company listed in the main board of Stock Exchange (stock code: 0762), as independent non-executive director in November 2012. Ms. Fan has also been the independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited), a company listed in the main board of Stock Exchange (stock code: 0620) since December 2015. Prior to her retirement from the civil service in 2007, Ms. Fan was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years working experience in the government departments, Ms. Fan has held various positions in the government of Hong Kong Special Administrative Region, including the director of the office of chief executive designate, the Commissioner for Transport of the Transport Department of Hong Kong, the secretary and permanent secretary of Education and Manpower Bureau of Hong Kong. Ms. Fan graduated from the University of Hong Kong with a bachelor's degree in science in 1975. She received a master degree in public administration from Harvard University, US in 1990 and a master degree in education from the Chinese University of Hong Kong in 2005.

**Mr. Kan Chung Nin, Tony (簡松年)**, *BBS, JP*, aged 65, was appointed as independent non-executive Director on 29 January 2016. Mr. Kan founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been a practising solicitor of the supreme court of Hong Kong since March 1982. Mr. Kan has been an independent non-executive director of Man Wah Holdings Limited since May 2013, a company listed in the main board of Stock Exchange (stock code: 1999). Mr. Kan has been the non-executive director of Midland Holdings Limited, a company listed in the main board of Stock Exchange (stock code: 1200) since March 2014. Mr. Kan is a solicitor of the supreme court of England and Wales and a barrister and solicitor of the supreme court of the Australian Capital Territory as well as advocate and solicitor of the supreme court of the Republic of Singapore. He is also a China-Appointed Attesting Officer and a Notary Public in Hong Kong. Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會) and was a committee member of the Chinese People's Political Consultative Conference Guangdong Committee (中國人民政治協商會議廣東省委員會) for three consecutive terms. Mr. Kan is currently a non-official committee member of the Hong Kong Housing Authority and a member of the election committee of the chief executive of Hong Kong Special Administrative Region.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Ong Chor Wei (王祖偉)**, aged 46, was appointed as our independent non-executive Director on 29 January 2016. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following listed companies in the last three years preceding the Latest Practicable Date:

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewellery products	Non-executive director	Overseeing the management
June 2010 to present	Net Pacific Financial Holdings Limited (Stock Code: 5QY), whose shares are listed on the Singapore Exchange	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 2014 to present	Zibao Metals Recycling Holdings Plc, whose shares are listed on the London Exchange (Stock Code: BO)	Trading of recyclable metal	Executive finance director	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director re-designated to independent non-executive director	Board oversight and providing independent judgement
April 2010 to present	O-Net Communications (Group) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Board oversight and providing independent judgement
November 2012 to present	Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191)	Manufacturing and sale of particle board	Non-executive director	Board oversight and providing independent judgement

## DIRECTORS AND SENIOR MANAGEMENT

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1452)	Manufacturing plate-type DeNo <sub>x</sub> catalysts	Independent non-executive director	Board oversight and providing independent judgement

*Note:* Mr. Ong had been a non-executive director of Jets Technics International Holdings Limited, whose shares were previously listed on the Singapore Exchange until October 2013. He ceased to be a non-executive director thereof since February 2013.

Mr. Ong received a bachelor of laws from The London School of Economics and Political Science in August 1990. Mr. Ong also received a distance learning degree in master of business administration which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995, respectively.

**Mr. Fan Chun Wah, Andrew (范駿華)**, aged 37, was appointed as our independent non-executive Director on 29 January 2016. Mr. Fan has been the managing director of C.W. Fan & Co. Limited (泛華會計師事務所有限公司) since November 2013 and the partner of C.W. Fan & Co. (泛華會計師行) since January 2006. Mr. Fan was, or has been, a director of the following companies in the last three years preceding the Latest Practicable Date:

<u>Period of services</u>	<u>Name of the listed companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
February 2009 to March 2014	CIG Yangtze Ports PLC, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8233)	Investment in and development, operation and management of container ports	Independent non-executive Director	Board oversight and independent management
March 2013 to July 2015	Milan Station Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1150)	Retail of handbags, fashion accessories and embellishments	Independent non-executive Director	Board oversight and independent management
January 2013 to present	Chuang's China Investments Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0298)	Property investment and development in Hong Kong and Mainland China	Independent non-executive Director	Board oversight and independent management

## DIRECTORS AND SENIOR MANAGEMENT

<u>Period of services</u>	<u>Name of the listed companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
March 2013 to present	LT Commercial Real Estate Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0112)	Property development, property investment, securities investment, and finance activities in Hong Kong, Mainland China, and the US	Independent non-executive Director	Board oversight and independent management
March 2014 to present	Sinomax Group Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1418)	Marketing, manufacture, and distribution of visco-elastic health and wellness products	Independent non-executive Director	Board oversight and independent management
November 2014 to present	Fulum Group Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1443)	Operation of full-service restaurant chain serving Cantonese cuisine in Hong Kong and in the PRC	Independent non-executive Director	Board oversight and independent management
April 2015 to present	Culturecom Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 0343)	publishing comic books and provision of media content in Hong Kong, Mainland China, and Macau	Independent non-executive Director	Board oversight and independent management
July 2015 to present	Hong Kong Resources Holdings Company Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2882)	retail and franchise of gold and jewellery products in Mainland China, Hong Kong, and Macau	Independent non-executive Director	Board oversight and independent management
September 2015 to present	On Real International Holdings Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8245)	Design and manufacturer of two-way radio product	Independent non-executive Director	Board oversight and independent management

Mr. Fan received the bachelor of business administration in accounting and finance from the University of Hong Kong in December 1999 and the bachelor of laws from University of London as an external student in August 2007. In January 2003 and September 2011, Mr. Fan was admitted as a member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan has been a member of the 10th and the 11th Zhejiang Province Committee of the Chinese People's Political Consultative Conference (中華人民共和國政治協商會議浙江省第十屆及第十一屆委員會) since 2008. He was a member of the 4th and the 5th Shenzhen Committee of the Chinese People's Political Consultative Conference (中華人民共和國政治協商會議廣東省深圳市第四屆及第五屆委員會) from 2008 to 2015.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Lee Bik Kee, Betty (李碧琪)**, aged 65, was appointed as our independent non-executive Director on 29 January 2016. Ms. Lee has over 45 years of experience in apparel and textile industry. Ms. Lee joined Telemac (Hong Kong) Ltd., a company principally engaged in the production of outerwear, as an executive secretary and senior merchandiser from September 1970 to November 1977, where she was engaged in merchandising role on outerwear production. From December 1977 to July 1980, Ms. Lee was the merchandising manager of H.I.S Sportswear Ltd. and was responsible for sourcing and production. From June 1981 to April 1989, she worked as a merchandising manager, then promoted to a senior merchandising manager and a director and subsequently promoted to executive director in Murjani Industries (HK) Ltd., where she was responsible for the overall operational management. From May 1989 to July 1990, Ms. Lee served as an executive vice president in Bonaventure Textiles Ltd., where she was responsible for production management. From August 1991 to January 2015, Ms. Lee worked as an executive vice president in Mast Industries (Far East) Limited and MGF Sourcing Far East Limited, each a garment sourcing agent respectively, where she was responsible for apparel procurement and production management. Ms. Lee graduated from Maryknoll Convent School with a commercial diploma in June 1969.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

Mr. Wong Ting Chung, Mr. Wong Ting Chun, Mr. Wong Wai Wing, Raymond, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, please see “— Board of Directors — Executive Directors” above.

**Mr. Tao Chi Keung (陶志強)**, aged 45, is the chief financial officer of our Group and the company secretary of our Company. He is primarily responsible for our Group’s overall financial planning and reporting, financial risk management and company secretarial matters. Mr. Tao joined our Group on 30 August 2015. Mr. Tao possesses extensive experience in financial management and auditing and had held a number of senior positions prior to joining our Group. From July 1993 to February 1996, Mr. Tao worked as a staff accountant in Ernst & Young, where he was responsible for auditing. From March 1996 to May 1998, he was the accounting manager in Guocany Group Limited (formerly known as FT Holdings International Limited, a company listed in the main board of Stock Exchange (stock code: 559)), where he was responsible for accounting. From June 1998 to October 1999, Mr. Tao worked as an assistant manager in New World China Land Limited, a real estate company listed in the main board of Stock Exchange (stock code: 917), where he was responsible for several property development projects in the PRC. He worked in KPMG as a manager from October 1999 to March 2004, and PricewaterhouseCoopers as a senior audit manager from April 2004 to October 2009. From December 2009 to September 2010, Mr. Tao worked as a chief finance officer in Birdland (Hong Kong) Limited, where he was responsible for

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## DIRECTORS AND SENIOR MANAGEMENT

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finance and accounting. From October 2010 to July 2011, Mr. Tao worked as a chief financial officer in Chiaus International Group Company Limited, an investment holding company engaged in, through its subsidiaries, manufacturing baby and children's care products, where he was responsible for financial management. From October 2011 to August 2015, Mr. Tao worked in Kinetic Mines and Energy Limited, a company listed in the main board of Stock Exchange (stock code: 1277), with the latest positions of company secretary and chief financial officer.

Mr. Tao received his bachelor's degree in business administration from Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in December 1993. Mr. Tao is currently a fellow and a practising Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

**Mr. Chan Yiu Tung (陳耀東)**, aged 45, is the merchandising director of our Group. He is primarily responsible for merchandising management for Japan market in our Group. Mr. Chan joined our Group as a senior merchandiser in December 1997. In January 2003, he was promoted to the merchandising manager and later in April 2005, he was promoted to the sales manager. Further, in February 2006, he was promoted to the senior merchandising manager and in January 2008, he was promoted to merchandising director. Prior to joining our Group, from 1991 to 1996, Mr. Chan worked as a senior merchandiser in Products Union Garment Ltd, a company principally engaged in the manufacturer of garment. Mr. Chan passed Hong Kong Certificate of Education Examination in 1989.

**Mr. Xie Mingqiang (謝明強)**, aged 45, is the assistant general manager of our PRC Factory. He is primarily responsible for the financial management and reporting, custom and government affairs in our PRC Factory. Mr. Xie joined our Group as an accounting manager of Nanxuan Knitting in February 1998 and responsible for accounting. Mr. Xie was promoted to the assistant general manager of the finance department in November 2005 and was responsible for financial management of PRC Factory. Prior to joining our Group, from September 1992 to January 1996, Mr. Xie worked in Meihua Oil Service Co., Ltd.\* (美華石油服務有限公司) as manager and Huihui Technological Development Co., Ltd.\* (輝卉科技開發有限公司) as financial manager from February 1996 to January 1998. Mr. Xie has been admitted as an accountant by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in October 1995. Mr. Xie received his bachelor's degree in accounting from Sun Yat-Sen University (中山大學), Guangzhou in July 1992.

**Mr. Lin Guoxin (林國新)**, aged 45, is the assistant general manager of our PRC Factory. He is primarily responsible for the production management in our PRC Factory. Mr. Lin joined our Group as a plant manager at Nanxuan Knitting in November 1995, where he was responsible for overseeing and managing the production process. He was promoted to assistant general manager of the production department in October 2005, where he was responsible for managing and supervising overall production operations in our PRC factory. Mr. Lin is the cousin of Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Mo Erjin (莫二金)**, aged 48, is the assistant general manager of our PRC Factory. He is primarily responsible for supervising sample development in our PRC Factory. Mr. Mo joined our Group as the chief of the technical centre in March 2003 and was further promoted to assistant general manager in January 2008 and was responsible for the management of the sample development in our PRC Factory. Prior to joining our Group, Mr. Mo served as a knitting technician at Foshan Zhangcha Knitting Factory (佛山張槎毛衫廠), from October 1986 to March 1989. From March 1989 to February 2002, he served as a knitting team leader at Laws Fashion Knitters Limited (羅氏針織有限公司).

None of our senior management has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

Mr. Tao Chi Keung was appointed as our company secretary on 30 August 2015. For details of Mr. Tao Chi Keung, please see “— Senior Management” above.

### BOARD COMMITTEE

#### Audit Committee

We have established an audit committee on 29 January 2016 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of one non-executive Director, Mr. Tam Wai Hung, David, and three independent non-executive Directors, Mr. Ong Chor Wei (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Kan Chung Nin, Tony and Mr. Fan Chun Wah, Andrew. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

We have established a remuneration committee on 29 January 2016 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Kan Chung Nin, Tony and Mr. Ong Chor Wei and our executive Director and chairman, Mr. Wong Ting Chung. The remuneration committee is chaired by Mr. Kan Chung Nin, Tony. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the

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## DIRECTORS AND SENIOR MANAGEMENT

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management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

### **Nomination Committee**

We have established a nomination committee on 29 January 2016 with written terms of reference. The nomination committee consists of three members, namely Mr. Wong Ting Chung, our executive Director and chairman, Mr. Kan Chung Nin, Tony and Mr. Ong Chor Wei, who are our independent non-executive Directors. The chairman of the nomination committee is Mr. Wong Ting Chung. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

### **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.

We have adopted the code provisions stated in the Corporate Governance Code (the "CG Code") as set forth in Appendix 14 to the Listing Rules. We are committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

Except for the deviation from CG Code provision A.2.1, our corporate governance practices have complied with the CG Code. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Ting Chung is the chairman and the chief executive officer of our Group. In view of the fact that Mr. Wong Ting Chung is one of the founders of the Group and has been assuming day-to-day responsibilities in operating and managing our Group since September 1990, our Board believes that it is in the best interest of our Group to have Mr. Wong Ting Chung taking up both roles for effective management and business development. Therefore Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding the above, our Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

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## DIRECTORS AND SENIOR MANAGEMENT

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Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed above, we will comply with the code provisions set out in the CG Code in Appendix 14 to the Listing Rules after the Listing.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was HK\$16.4 million, HK\$12.2 million, HK\$12.3 million and HK\$6.1 million respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals other than our Directors for the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was HK\$2.6 million, HK\$4.0 million, HK\$2.8 million and nil respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes and other allowances and benefits in kind) of our Directors for the year ending 31 March 2016 is estimated to be no more than HK\$15.5 million.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 29 January 2016. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix V to this prospectus.

### COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (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 net 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 regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company)<sup>(3)</sup> will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Nature of Interest	Share held as of the submission of the application proof of this prospectus		Shares held immediately after completion of the Reorganisation and prior to the Global Offering and the Capitalisation Issue <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue <sup>(1)</sup>	
		Number	Percentage (approx.)	Number	Percentage (approx.)	Number	Percentage (approx.)
Nameson Investments <sup>(2)</sup>	Beneficial Owner	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Happy Family BVI <sup>(2)</sup>	Interest in controlled corporation	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
East Asia International Trustees Limited <sup>(2)</sup>	Trustee of a trust	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Wang Kam Chu <sup>(4)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Kwan Ying Tsi, Catherine <sup>(5)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Tsoi Suet Ngai <sup>(6)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Chan Ka Wai <sup>(7)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%

*Notes:*

- (1) The Letter “L” denotes the person’s long position in the Shares.
- (2) Nameson Investments is wholly owned by Happy Family BVI, the holding vehicle incorporated in the BVI used by East Asia International Trustees Limited, the trustee of the Happy Family Trust which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family BVI and Mr. Wong Ting Chung is deemed under the SFO to be interested in the Shares held by Nameson Investments.
- (3) For interests of our Directors in the Shares, please refer to the section headed “Further Information about our Directors and Substantial Shareholders — 1. Directors” in Appendix V to this prospectus.
- (4) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chung.
- (5) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond.



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## SUBSTANTIAL SHAREHOLDERS

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- (6) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chun.
- (7) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Kau.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person who will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):

	<u>Nominal value</u> HK\$
<i>Authorised share capital:</i>	
<u>5,000,000,000</u> Shares of HK\$0.01 each	<u>50,000,000</u>
	<u>Nominal value</u> HK\$
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>	
1,122 Shares in issue as of the date of this prospectus	11.22
1,499,998,878 Shares to be issued pursuant to the Capitalisation Issue	14,999,988.78
<u>500,000,000</u> Shares to be issued under the Global Offering	<u>5,000,000</u>
<u>2,000,000,000</u> Total	<u>20,000,000</u>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with, otherwise than pursuant to a rights issue or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in writing of our Sole Shareholder passed on 29 January 2016" in Appendix V to this prospectus.

### 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 a total nominal amount of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other approved 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), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 6. Repurchases of our Shares" in Appendix V to this prospectus.

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## SHARE CAPITAL

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This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in writing of our Sole Shareholder passed on 29 January 2016" in Appendix V to this prospectus.

### SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 29 January 2016, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix V to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, please refer to the section headed "Summary of the Constitution of Our Company and Companies Law — 2. Articles of Association — (c) Alteration of capital" in Appendix IV to this prospectus.

Subject to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to our Shares or any class of our Shares may 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 our Shares of that class. For further details, please refer to the section headed "Summary of the Constitution of Our Company and Companies Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain cornerstone investors (the “Cornerstone Investors” and each a “Cornerstone Investor”), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their nominated wholly-owned subsidiaries (each an “Investor Entity”) to subscribe, at the Offer Price, such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of approximately US\$18.9 million (the “Cornerstone Placing”).

Assuming an Offer Price of HK\$1.03 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 141,846,000, representing approximately 7.09% of the Shares in issue and outstanding upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming an Offer Price of HK\$1.18 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 123,814,000, representing approximately 6.19% of the Shares in issue and outstanding upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming an Offer Price of HK\$1.33 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 109,850,000, representing approximately 5.49% of the Shares in issue and outstanding upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

Each of the Cornerstone Investors has agreed that, if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders cannot be satisfied, the Sole Sponsor and the Sole Global Coordinator and our Company have the right to adjust the allocation of the number of Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, independent of each other, not our connected person, and not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 11 April 2016.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. None of

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## CORNERSTONE INVESTORS

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the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The number of Offer Shares to be subscribed for by the Cornerstone Investors (i) will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus; or (ii) will not be affected by any exercise of the Over-allotment Option to be granted by the Company to the Sole Global Coordinator and exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

### **Cornerstone Investors**

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

#### *1. Fast Retailing*

Fast Retailing Co., Ltd (“Fast Retailing”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of not more than JPY1 billion (inclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.03, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Fast Retailing will subscribe for would be not more than 66,980,000, representing approximately 3.35% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Fast Retailing will subscribe for would be not more than 58,466,000, representing approximately 2.92% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.33, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Fast Retailing will subscribe for would be not more than 51,872,000, representing approximately 2.59% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

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## CORNERSTONE INVESTORS

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Fast Retailing, which was established in 1963, is a Japanese retail holding company listed on the Tokyo Stock Exchange (TSE: 9983) and the Hong Kong Stock Exchange (SEHK: 6288). It is a leading retailer of quality clothing for men, women, children and infants under its mainstay brand UNIQLO and other global brands, which comprise GU, Theory, Comptoir des Cotonniers, Princesse tam.tam and J Brand.

UNIQLO has been one of our top 5 customers during the Track Record Period. The investment by Fast Retailing is part of the continuing development of our strategic partnership with Fast Retailing.

### 2. *Shima Seiki and Shima Seiki (HK)*

Shima Seiki MFG., Ltd. (“Shima Seiki”) and its wholly-owned subsidiary incorporated in Hong Kong namely, Shima Seiki (Hong Kong) Ltd. (“Shima Seiki (HK)”, together with Shima Seiki, the “Shima Seiki Group”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US\$5 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.03, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Shima Seiki Group will subscribe for would be 37,620,000, representing approximately 1.88% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Shima Seiki Group will subscribe for would be 32,838,000, representing approximately 1.64% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.33, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Shima Seiki Group will subscribe for would be 29,134,000, representing approximately 1.46% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

Shima Seiki was established in 1962 and publicly listed on the First Section of the Tokyo Stock Exchange in 1996 (TYO: 6222). Beginning with the full automation of the glove knitting machine, on the strength of the great strides in technology innovation, research and production of original hardware and software under corporate motto “Ever Onward”, it has grown into a leading company in computerized flat knitting industry with a high global market share.



Shima Seiki (HK) is a wholly-owned subsidiary of Shima Seiki. Shima Seiki (HK) has a solid foundation in the markets of Hong Kong and China, and is committed to providing the best possible means to benefit the knitwear fashion industry.

### 3. *Talent Charm*

Talent Charm Limited (“Talent Charm”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US\$5 million (inclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.03, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Talent Charm will subscribe for would be 37,246,000, representing approximately 1.86% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.18, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Talent Charm will subscribe for would be 32,510,000, representing approximately 1.63% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme. Assuming the Offer Price is fixed at HK\$1.33, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Talent Charm will subscribe for would be 28,844,000, representing approximately 1.44% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

Talent Charm, a company incorporated in British Virgin Islands, is a wholly owned subsidiary of K-Boxing Investment Holdings Co., Ltd., which is the holding company of K-Boxing Men’s Wear (Shanghai) Co., Ltd. (“K-Boxing”). K-Boxing is considered one of the most valuable menswear brands in PRC, and has been a leading force in bringing the PRC jacket industry to the international market. As an overseas platform, Talent Charm is principally engaged in overseas investment management.

### **Conditions Precedent**

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the time and date as specified in the Underwriting Agreements;
- (b) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission having not be revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (c) the respective representations, warranties, undertakings and acknowledgements of each Cornerstone Investor and the Company under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of such Cornerstone Investor; and
- (d) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or under the relevant cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

### **Restrictions on the Cornerstone Investors' Investment**

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not, and will procure that its Investor Entity will not, at any time during the period of six months following the Listing Date, whether directly or indirectly, dispose of, or agree to dispose of, any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement or any interest in any company or entity holding (directly or indirectly) any of the relevant Shares, other than transfers to an Investor Entity of such Cornerstone Investor, provided that, among others, such Investor Entity undertakes in writing that it will abide by the terms and restrictions imposed on the Cornerstone Investor.

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*The following discussion and analysis should be read in conjunction with the Accountant's Report (together with the accompanying notes) set out in "Appendix I — Accountant's Report" of this prospectus.*

*The combined financial information is reported in HK\$ and was prepared and presented in accordance with HKFRS. Information included in this section that has not been extracted or derived from the Accountant's Report has been extracted from or derived from unaudited management accounts or other records. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses 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. You should not place undue reliance on any such statements. Our actual future results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set out in the section headed "Risk Factors" and "Forward-Looking Statements".*

### OVERVIEW

We are one of the leading knitwear manufacturers in the PRC by manufacturers' revenue according to the Euromonitor Report. We offer a one-stop in-house solution for our customers comprising design origination, raw material procurements, sample product development, quality products and timely delivery. We derived our revenue by the sale of knitwear products including womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves which were exported to Japan, North America, Europe, China and other regions. We have had eight to 20 years' business relationships with international apparel brands such as UNIQLO, Tommy Hilfiger and Lands' End. We operated two production facilities, namely, our PRC Factory and the first phase of our Vietnam Factory, and majority of our knitwear products were produced at our PRC Factory. Our Vietnam Factory has a relatively shorter operating history as it only commenced production in the first quarter of 2015.

Our total revenue derived from the sale of our knitwear products accounted for approximately HK\$2,542.8 million, HK\$2,322.3 million, HK\$2,567.7 million and HK\$1,756.4 million for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The increase in revenue for the year ended 31 March 2015 as compared to the year ended 31 March 2014 was primarily due to the increased proportion of sales orders at a higher selling price placed by one of our top customers. Going forward, we strive to continue to grow our revenue by expanding our customer base and leveraging on our competitive edge on our product quality, design development capability, timely delivery, valuable one-stop solution services, customer recognition and industry reputation.

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### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below.

#### **Reliance on key customers**

Our five largest customers, all being Independent Third Parties, are well recognised apparel brand owners mainly located in Japan, the US and Europe. Together, they accounted for approximately 95.3%, 93.1%, 92.3% and 91.9% respectively of our revenue for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 and our largest customer accounted for approximately 54.8%, 50.0%, 52.3% and 49.8% respectively of our revenue for the corresponding years/period.

We have developed business relationships with our five largest customers for a period ranging from eight to 20 years as at the Latest Practicable Date. We only enter into short-term purchase orders instead of long-term sales contracts with our customers. Although our Directors consider that we have established good relationships with our major customers, if our customers decide not to purchase any products from us, change any of their suppliers or propose new terms of sales unacceptable to us, change their business models, or terminate their respective relationships with us at any time as they wish in the future, our sales may decline if we are unable to find alternative purchasers in a timely manner. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

#### **Seasonality**

Demand for our knitwear products is seasonal. As demand for knitwear products are generally higher in the fall and winter seasons, we receive a greater number of orders during the period from May to November, which is our peak season, and a relatively lower number of orders during the period from December to April. These seasonality fluctuations may affect our production costs and the utilisation rate of our production facilities. Our operating results for our peak periods should not be taken as an indication of our performance for the entire financial year. Hence, prospective investors should be aware of these seasonal fluctuations when making any comparison of our operating results. Other than seasonality, any unexpected and abnormal changes in climate may affect the sales of our products which, in turn, may materially and adversely affect our business, financial condition and results of operation.

#### **Labour costs**

Although our production of knitwear products is capital intensive as it is highly mechanised and automated, we, to a significant extent, rely on skilled workers especially in the process of linking, stitching and inspection. Our performance relies on the steady supply of relatively low cost labour in the PRC and Vietnam. Our direct labour costs, excluding Directors' remuneration, accounted for approximately 16.3%, 17.5%, 16.9% and 18.5% of the total cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015

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respectively. There is no guarantee that our supply of labour will not be disrupted or that our labour costs will not increase. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate any sudden increase in demand for our products or our expansion plans.

Labour costs are basically affected by the demand for and supply of labour, economic factors including the inflation rate and standard of living. Labour costs may further increase in the future due to a shortage of skilled labour and growing industry demands for skilled workers. For details relating to the trends of labour costs in the jurisdictions we operate in, please refer to the section headed “Industry Overview — Raw Material Prices and Labour Costs” in this prospectus. The failure to identify and recruit replacement staff immediately following unanticipated loss of services of the skilled workers could reduce our competitiveness and have a material and adverse effect on our business and operations. In addition, there is a potential increase in labour costs in the PRC as well as the minimum wage requirements in Vietnam and other markets where we currently operate. Although we pay our employees more than the minimum wage requirements in Vietnam, any further increase in minimum wage requirements may increase competition for qualified labour, which may indirectly result in further increases to our labour costs. In these circumstances, we may not be able to increase our prices enough to pass these increased labour costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

Further, there may be labour disputes, work stoppages or strikes may arise in the future. All of our labour in Vietnam are represented by a trade union duly set up in October 2014. We have entered into a collective labour agreement with each labour union, which is subject to periodic renegotiation. We may not be able to successfully conclude the renegotiation of our collective labour agreements on satisfactory terms, which may result in a significant increase in the cost of labour or may result in work stoppages or labour disturbances. Increases in our labour costs and future disputes with our workers may materially and adversely affect our business, financial condition, results of operations and prospects.

### **Reliance on key suppliers**

For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, purchases from our five largest raw material suppliers accounted for approximately 63.6%, 71.8%, 68.2% and 72.8% respectively of our total purchase of raw materials, and our largest supplier accounted for approximately 33.2%, 35.0%, 43.5% and 50.3% respectively of our total purchases of raw materials for the corresponding years/period. We have established working relationships with most of our five largest raw material suppliers for more than 10 years, with the longest relationship being 17 years as at the Latest Practicable Date. We have not entered into any long-term purchase agreements with our suppliers and all purchase contracts are typically concluded on an order by order basis. If there is any decrease or disruption in supply or an increase in costs by one or more of our major suppliers or any termination of our business relationships with our major suppliers and we fail to find replacement suppliers on similar or favourable terms on a timely manner, our business and results of operations may be materially and adversely affected.

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### **Fluctuations in foreign currency exchange rates**

The majority of our transactions are settled in US\$, HK\$, RMB and JPY. The value of the RMB against the US dollar and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions. In August 2015, China devalued the RMB's daily reference rate to the US dollar. In the future, the Chinese government may adopt a more flexible currency policy, which could lead to the RMB exchange rates against other currencies being susceptible to more volatility than in the past. These fluctuations may result in exchange losses or gains or increases or reductions in our production costs after translating RMB into HK\$. Any appreciation of the RMB may lead to an increase of our manufacturing costs if we are unable to pass on such additional costs to our customers, which may, in turn, affect our competitiveness against competitors outside the PRC. To the extent that we need to convert the proceeds of the Global Offering and future financing into RMB for our operations, any appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the amount of RMB we would receive from the currency conversion.

During the Track Record Period, we have entered into certain contracts to manage our foreign currency exposures. For details of such foreign currency contracts, please refer to the section headed "Financial Information — Certain Items of Combined Balance Sheet — Derivative financial instruments" in this prospectus. In addition, our currency exchange losses may be amplified by the PRC exchange control regulations which impose limits on the amount of RMB which may be converted into foreign currency. Due to the recent depreciation of RMB against the US dollars, we decided to unwind all of our outstanding forward foreign currency contracts so as to crystallise our exposures and avoid the risk of potential addition of losses. By 30 September 2015, we had settled or unwound all of our outstanding forward foreign currency contracts. For the six months ended 30 September 2015, the net realised losses from these outstanding forward foreign currency contracts were approximately HK\$12.3 million. As at the Latest Practicable Date, there were no outstanding forward foreign currency contracts. There is no assurance we may successfully mitigate our exposures to foreign currency fluctuations risks through purchases of derivative financial instruments in the future. In the event that we enter into further foreign currency contracts so as to mitigate our foreign currency exposures, any further losses incurred from any outstanding currency contracts may therefore materially and adversely affect our business, financial condition and results of operation.

### **Change in the product mix sold and pricing of our products**

Our results of operations are affected by the product mix sold and pricing of our products. Our knitwear products during the Track Record Period varied, in terms of materials and styles, in response to changing fashion trends and market preferences. As we principally manufacture knitwear products according to our customers' specifications, there is no standard selling price for each of our knitwear products. The average unit selling price of our knitwear products was affected by various factors including but not limited to (i) the average unit purchase prices of raw materials including yarn; (ii) the production costs including the subcontracting charges; and (iii) the technical requirements of the products such as density, weight, types and amount of yarn utilised as required

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by our customers. If our customer requires more types of yarn or a certain specific yarn or higher technical requirement such as higher density, heavier weight and dyeing, additional effort may be needed to source such yarn and additional time may be required for conducting researches on finding the optimal manufacturing process which suits the required knitwear product, depending on its complexity and technical requirement. Hence, instead of simply adding up the cost of requisite raw materials and passing them onto our customers, we would generally charge an additional gross profit margin on those products based on our negotiation with the customers and the sales volume of the knitwear products required. As such, the fluctuation of the gross profit margin of our knitwear products also depends on the proportion of the sales of knitwear products with relatively higher technical requirements. Any failure on our part to continue to monitor and optimise our product mix and pricing in response to changes in market conditions, consumer preferences and fashion trends, may adversely and materially affect our business, financial condition and results of operations.

### **Consumer consumption level and macroeconomic conditions**

A substantial amount of our products are sold to our customers in Japan and the US. As such, our results of operations and profitability are dependent on the demand and the macroeconomic conditions in Japan and the US. There are many factors affecting the level of consumer spending that are beyond our control, including but not limited to, disposable income, interest rates, recession, inflation, stock market performance, unemployment level and general consumer confidence. Any worsening of the general economic conditions in Japan and the US may result in the slowing down of or decrease in orders from our customers in Japan and the US, potential delay and/or default in payment by the customers, and the withdrawal and/or reduction in the banking facilities provided to us by the financial institutions. We cannot guarantee that we can continue to expand our customer base in Japan and the US and generate significant revenue from exporting to Japan and the US. There is a possibility that we cannot maintain the existing level of purchase orders from our customers in Japan and the US. If any or a combination of such factors comes to pass, this could materially and adversely affect our business, financial condition, results of operations, prospects and profitability.

### **BASIS OF PRESENTATION**

The combined income statements, combined statements of comprehensive income, combined balance sheets, combined statements of changes in equity and combined cash flow statements of our Group have been prepared by including the financial information of the companies engaged in the principal business of our Group, under the common control of our Controlling Shareholders immediately before and after the Reorganisation and now comprising our Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of our Controlling Shareholders, whichever is a shorter period. The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders' perspective.

For more information on the basis of preparation of the financial information included herein, please refer to note 2.1 to "Appendix I — Accountant's Report" of this prospectus.



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Any failure on our part to continue to monitor and optimise our product mix and pricing in response to changes in market conditions, consumer preferences and fashion trends, may adversely and materially affect our business, financial condition and results of operations.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires the management of our Group to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information of our Group are disclosed in note 4 to "Appendix I — Accountant's Report" of this prospectus. We also have other policies that we consider to be key accounting policies, which are set out in detail in note 2 to "Appendix I — Accountant's Report" of this prospectus.

#### Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our Group's activities. Revenue is shown net of rebates and discounts.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. Our Group bases its estimates on historical results, taking into consideration the type of customers, type of transactions and the specifics of each arrangement.

**(a) Sales of goods (including samples)**

Sales of goods are recognised when our Group has delivered products to our customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

**(b) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

**(c) Rental income**

Rental income is recognised on a straight-line basis over the period of the lease.

**(d) Dividend income**

Dividend income is recognised when the right to receive the payment is established.

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### Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our 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 statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	2.5% to 4%
Leasehold improvements	5% to 20%
Plant and machinery	10% to 12.5%
Furniture, fixtures and other equipment	20%
Motor vehicles and yacht	20%

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses), net' in the combined income statement.

### 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 statement on a straight-line basis over the period of the lease.

Our Group leases certain property, plant and equipment. Leases of property, plant and equipment where our 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 statement over the lease period so as

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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.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, 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.

### **Current and deferred income tax**

Our Group is subject to income taxes in Hong Kong, PRC and Vietnam. Judgement is required in determining the provision for income taxes in different jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Our Group operates mainly in Hong Kong, the PRC and Vietnam and has transactions with customers and suppliers in different countries. Our Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over our Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. Our Group also recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. 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.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined income statement, 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 balance sheet date in the countries where the subsidiaries and associates of our Company operate and generate taxable income. The management of our

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Group 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 information. However, deferred 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 balance sheet 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 only 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 our 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.

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### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **Financial instruments**

#### *Financial assets*

##### *Classification*

Our Group's financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

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. Our Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the combined balance sheet.

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## FINANCIAL INFORMATION

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(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

*Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which our 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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the combined income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and our Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the combined income statement within ‘Other gains/(losses), net’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the combined income statement as part of other income when our Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined income statement as “Other gains/(losses), net”.

Dividends on available-for-sale equity instruments are recognised in the combined income statement as part of other income when our Group’s right to receive payments is established. The fixed and determinable returns on debt instruments classified as available for sale are recognised in the combined income statement as part of “Other gains/(losses), net”.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 our Company or the counterparty.

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## FINANCIAL INFORMATION

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### *Impairment of financial assets*

#### (a) *Assets carried at amortised cost*

Our 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 category, 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 the asset is reduced and the amount of the loss is recognised in the combined income statements. If a loan or held-to-maturity investment 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, our 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 the combined income statements.

#### (b) *Assets classified as available for sale*

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined income statements.



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For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the combined income statements on equity instruments are not reversed through the combined income statements.

### *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the combined income statements.

Derivative financial assets are classified as current assets if they are expected to be realised within 12 month after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

### **Useful lives, residual values and depreciation of property, plant and equipment**

The management of our Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that our Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management of our Group will revise the depreciation charge where useful lives or residual values are different from those previously estimated. 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.

### **Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions

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selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect our Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the combined income statement.

### **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The management of our Group reassesses the estimates at each balance sheet date.

### **Impairment of financial assets**

The management of our Group determines the provision for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of our customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

### **Fair value of derivative financial instruments**

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. Our Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the balance sheet date. The valuation models require the input of subjective assumptions, including forward foreign exchange rates, risk free rates and market volatility. Changes in subjective input assumptions can materially affect the fair value estimate.

### **Valuation of available-for-sale financial assets and amortisation period of prepayments for insurance premium**

The fair value of available-for-sale financial assets which primarily represent unlisted key management insurance policies (the "**Key Man Insurance**") that are not traded in an active market is determined by reference to the expected return from such policies which in turn is mainly derived from the financial performance and market price of the underlying portfolio. The management of our Group determines the estimated amortisation period of prepayments for the premium for the Key Man Insurance with reference to the estimated years that our Group intends to hold such policies. Management will revisit the amortisation charge where holding period is different from those previously estimated. Periodic review could result in a change in amortisation period and therefore amortisation charges in the future years.

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### RESULTS OF OPERATIONS

The following table sets out a summary, for the years/periods indicated, of our combined results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	2,542,805	2,322,265	2,567,667	1,625,996	1,756,432
Cost of sales	<u>(1,895,031)</u>	<u>(1,768,285)</u>	<u>(1,994,299)</u>	<u>(1,266,859)</u>	<u>(1,396,923)</u>
<b>Gross profit</b>	647,774	553,980	573,368	359,137	359,509
Other income	27,405	24,419	20,617	10,641	7,664
Other gains/(losses), net	15,684	(58,221)	27,642	17,448	(2,153)
Selling and distribution expenses	(50,746)	(46,164)	(52,304)	(28,392)	(32,692)
General and administrative expenses	<u>(206,719)</u>	<u>(212,045)</u>	<u>(235,202)</u>	<u>(103,174)</u>	<u>(136,573)</u>
<b>Operating profit</b>	<u>433,398</u>	<u>261,969</u>	<u>334,121</u>	<u>255,660</u>	<u>195,755</u>
Finance income	635	969	1,756	343	360
Finance expenses	<u>(19,565)</u>	<u>(16,888)</u>	<u>(21,992)</u>	<u>(10,657)</u>	<u>(15,643)</u>
Finance expenses, net	<u>(18,930)</u>	<u>(15,919)</u>	<u>(20,236)</u>	<u>(10,314)</u>	<u>(15,283)</u>
<b>Profit before income tax</b>	414,468	246,050	313,885	245,346	180,472
Income tax expenses	<u>(46,070)</u>	<u>(26,682)</u>	<u>(40,539)</u>	<u>(29,781)</u>	<u>(25,042)</u>
<b>Profit for the year/ period attributable to owners of our Company</b>	<u>368,398</u>	<u>219,368</u>	<u>273,346</u>	<u>215,565</u>	<u>155,430</u>
<b>Dividends</b>	<u>200,000</u>	<u>200,000</u>	<u>427,000</u>	<u>40,666</u>	<u>120,000</u>

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The following table reconciles our profit before income tax under HKFRSs to our definition of EBITDA for the years/periods indicated.

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	414,468	246,050	313,885	245,346	180,472
Finance expenses	19,565	16,888	21,992	10,657	15,643
Depreciation and amortisation	171,766	174,100	174,417	87,142	87,410
EBITDA	605,799	437,038	510,294	343,145	283,525
Add:					
Realised and unrealised (gains)/losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted EBITDA <i>(Note)</i>	591,792	486,922	485,433	323,535	310,764
Operating profit	433,398	261,969	334,121	255,660	195,755
Add:					
Realised and unrealised (gains)/losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted operating profit	419,391	311,853	309,260	236,050	222,994
Profit for the year/period	368,398	219,368	273,346	215,565	155,430
Add:					
Realised and unrealised (gains)/losses from derivative financial instruments	(14,007)	49,884	(26,475)	(19,610)	12,316
Listing expenses	—	—	1,614	—	14,923
Adjusted net profit	354,391	269,252	248,485	195,955	182,669

*Note:* We use Adjusted EBITDA, Adjusted operating profit and Adjusted net profit to provide additional information about our operating performance. We define Adjusted EBITDA as the sum of profit before income tax, finance expenses and depreciation and amortization (including amortization of land use rights, depreciation on owned property, plant and equipment, depreciation on property, plant and equipment held under finance lease and depreciation of investment properties), and add realised and unrealised (gains)/losses from derivative financial instruments and listing expenses. We define Adjusted operating profit and Adjusted net profit as the sum of operating profit/profit for the year/period, realised and unrealised (gains)/losses from derivative financial instruments and listing expenses. Adjusted EBITDA, Adjusted operating profit and Adjusted net profit are not measurements of financial performance or liquidity under HKFRSs and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with HKFRSs or as alternatives to cash flow from operating activities as measures of liquidity.

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Adjusted EBITDA is provided in addition to net income because net income includes accounting items associated with finance expenses and depreciation and amortization (including amortization of land use rights, depreciation on owned property, plant and equipment, depreciation on property, plant and equipment held under finance lease and depreciation of investment properties). These accounting items may vary between companies depending on the method of accounting adopted by each company. In addition, EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. We have included Adjusted EBITDA, Adjusted operating profit and Adjusted net profit because we believe that they are useful supplement to the financial data as a measure of our performance.

### DESCRIPTION OF SELECTED COMPONENTS OF COMBINED INCOME STATEMENTS

#### Revenue

Our revenue represented sales value of knitwear products supplied to our customers. Our knitwear products can be divided into three categories, namely womenswear, menswear and other products such as childrenswear, scarfs, hats and gloves.

Our revenue during each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 was mainly derived from the sales of womenswear, representing approximately 62.2%, 66.1%, 61.5% and 57.5% respectively, of our total revenue for the corresponding years/period. The table below sets out our revenue by product category for the years/periods indicated:

Revenue by product category	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Womenswear	1,580,264	62.2	1,534,568	66.1	1,580,116	61.5	915,143	56.3	1,010,371	57.5
Menswear	918,429	36.1	714,837	30.8	952,381	37.1	684,524	42.1	715,096	40.7
Other products	44,112	1.7	72,860	3.1	35,170	1.4	26,329	1.6	30,965	1.8
<b>Total revenue</b>	<b>2,542,805</b>	<b>100.0</b>	<b>2,322,265</b>	<b>100.0</b>	<b>2,567,667</b>	<b>100.0</b>	<b>1,625,996</b>	<b>100.0</b>	<b>1,756,432</b>	<b>100.0</b>

The table below sets out our total sales quantities of womenswear, menswear and other products for the years/periods indicated:

Sales quantities	Year ended 31 March			Six months ended 30 September	
	2013 (thousand units)	2014 (thousand units)	2015 (thousand units)	2014 (thousand units)	2015 (thousand units)
Womenswear	19,625	18,730	18,203	9,848	11,123
Menswear	9,838	7,862	9,864	7,028	7,298
Other products	491	739	436	316	421
<b>Total sales quantities</b>	<b>29,954</b>	<b>27,331</b>	<b>28,503</b>	<b>17,192</b>	<b>18,842</b>

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During each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the average selling price of our knitwear products was approximately HK\$84.9, HK\$85.0, HK\$90.1 and HK\$93.2 respectively. The majority of the costs of our raw materials are passed on to our customers when setting the selling price. The table below sets out the average selling prices for womenswear, menswear and other products for the years/periods indicated:

Average selling price <sup>(1)</sup>	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
Womenswear <sup>(2)</sup>	80.5	81.9	86.8	92.9	90.8
Menswear <sup>(2)</sup>	93.4	90.9	96.6	97.4	98.0
Other products <sup>(2)</sup>	89.8	98.6	80.7	83.4	73.5
<b>Overall average selling price<sup>(1)</sup></b>	<b>84.9</b>	<b>85.0</b>	<b>90.1</b>	<b>94.6</b>	<b>93.2</b>

*Notes:*

- (1) The average selling price represents the revenue for the year/period divided by the total sales quantities for the year/period.
- (2) The selling price of each of the product categories depends on (i) product designs and fashion trends; (ii) the quantity of an order; (iii) the production lead time required by customers; and (iv) the prices of yarn and accessories. Accordingly, the selling prices of knitwear products vary significantly.

### *Revenue by geographic location*

During the Track Record Period, Japan, the US, Europe, China, as well as other Asian-Pacific markets were our markets with reference to the final destination of our products as stipulated in our customers' purchase orders. The following table sets out a breakdown of our revenue from customers by the geographic location of goods delivery for the years/periods indicated:

Revenue by location of goods delivery	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Japan	1,007,163	39.7	888,876	38.3	929,463	36.2	502,121	30.9	611,648	34.8
North America <sup>(1)</sup>	760,193	29.9	777,696	33.5	812,150	31.6	544,638	33.5	543,141	30.9
Europe	387,474	15.2	311,638	13.4	357,494	13.9	273,589	16.8	291,010	16.6
China	140,891	5.5	133,313	5.7	171,066	6.7	111,386	6.9	122,731	7.0
Other countries and regions <sup>(2)</sup>	247,084	9.7	210,742	9.1	297,494	11.6	194,262	11.9	187,902	10.7
<b>Total revenue</b>	<b>2,542,805</b>	<b>100.0</b>	<b>2,322,265</b>	<b>100.0</b>	<b>2,567,667</b>	<b>100.0</b>	<b>1,625,996</b>	<b>100.0</b>	<b>1,756,432</b>	<b>100.0</b>

*Note:*

- (1) North America includes the United States and Canada. The revenue attributable to the US market accounted for 93.3%, 92.3%, 91.3% and 90.8% of the total revenue attributable to the North American market for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively.
- (2) Other countries and regions mainly include Australia, Korea, Hong Kong, Singapore, Taiwan and Mexico.

## FINANCIAL INFORMATION

### *Cost of sales*

Cost of sales primarily consisted of costs of inventories, direct labour costs, subcontracting charges paid to the subcontractors, depreciation of plant and equipment related to production, electricity and water and production overhead costs. The following table sets out the breakdown of our cost of sales for the years/periods indicated.

Cost of sales	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales	HK\$'000	% of cost of sales
	(Unaudited)									
Cost of inventories	917,455	48.4	844,112	47.7	1,012,680	50.7	721,719	57.0	741,436	53.1
Subcontracting charges	396,814	20.9	324,496	18.4	346,210	17.4	206,407	16.3	235,772	16.9
Direct labour costs	308,347	16.3	309,307	17.5	336,083	16.9	187,590	14.8	258,190	18.5
Depreciation	161,560	8.5	164,554	9.3	161,810	8.1	81,651	6.4	81,049	5.8
Electricity and water	51,822	2.7	48,001	2.7	47,192	2.4	27,557	2.2	31,301	2.2
Production overhead costs	55,265	3.0	69,759	3.9	76,001	3.8	35,537	2.8	41,529	3.0
PRC VAT and government surcharges	3,768	0.2	8,056	0.5	14,323	0.7	6,398	0.5	7,648	0.5
<b>Total cost of sales</b>	<b>1,895,031</b>	<b>100.0</b>	<b>1,768,285</b>	<b>100.0</b>	<b>1,994,299</b>	<b>100.0</b>	<b>1,266,859</b>	<b>100.0</b>	<b>1,396,923</b>	<b>100.0</b>

### *Cost of inventories*

Cost of inventories was the largest component of our cost of sales and primarily consisted of the cost of raw materials including yarn, cashmere and other accessories such as buttons, zippers, labels and hangtags. Cost of inventories accounted for approximately 48.4%, 47.7%, 50.7% and 53.1% respectively of our cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our cost of inventories represented approximately 36.1%, 36.3%, 39.4% and 42.2% respectively of our revenue. The following table sets out the breakdown of our cost of inventories for the years/periods indicated.



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Cost of inventories	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	% of cost of raw materials	HK\$'000	% of cost of raw materials	HK\$'000	% of cost of raw materials	HK\$'000 (Unaudited)	% of cost of raw materials	HK\$'000	% of cost of raw materials
Cost of raw materials	974,412	100.0	802,427	100.0	982,619	100.0	617,293	100.0	665,189	100.0
— Yarn	846,866	86.9	610,483	76.1	811,581	82.6	517,463	83.8	595,843	89.6
— Cashmere	63,261	6.5	115,666	14.4	92,136	9.4	61,282	9.9	29,718	4.5
— Other accessories	64,285	6.6	76,278	9.5	78,902	8.0	38,548	6.3	39,628	5.9
Changes in inventories of finished goods and work-in-progress	(63,693)	—	32,945	—	20,176	—	99,522	—	80,450	—
Provision for/(reversal of) impairment of inventories	6,736	—	8,740	—	9,885	—	4,904	—	(4,203)	—
<b>Total cost of inventories</b>	<b>917,455</b>		<b>844,112</b>		<b>1,012,680</b>		<b>721,719</b>		<b>741,436</b>	

### *Subcontracting charges*

Subcontracting charges source part of our production processes. Subcontracting charges accounted for approximately 20.9%, 18.4%, 17.4% and 16.9% respectively of our cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our subcontracting charges represented approximately 15.6%, 14.0%, 13.5% and 13.4% respectively of our revenue.

### *Direct labour costs*

Direct labour costs represented salaries and other staff-related costs of our own manufacturing operations. Direct labour costs depend on wage levels and the number of production staff employed. Direct labour costs accounted for approximately 16.3%, 17.5%, 16.9% and 18.5% respectively of our cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our direct labour costs represented approximately 12.1%, 13.3%, 13.1% and 14.7% respectively of our revenue.

### *Production overhead costs*

Production overhead costs primarily represented consumable tools, packaging materials, dyeing expenses and other miscellaneous costs related to our manufacturing activities. Production overhead costs accounted for approximately 3.0%, 3.9%, 3.8% and 3.0% respectively of our cost of sales for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our production overhead costs represented approximately 2.2%, 3.0%, 3.0% and 2.4% respectively of our revenue.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

Gross profit represented our revenue less cost of sales. Gross profit margin represents gross profit as a percentage of revenue. The following table sets out the gross profit and gross profit margin by product categories for the years/periods indicated.

Gross profit	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$000	Gross profit margin %	HK\$000	Gross profit margin %	HK\$000	Gross profit margin %	HK\$000	Gross profit margin %	HK\$000	Gross profit margin %
	(Unaudited)									
Womenswear	425,199	26.9	388,368	25.3	372,217	23.6	215,497	23.5	215,777	21.4
Menswear	216,979	23.6	157,684	22.1	195,263	20.5	139,486	20.4	137,870	19.3
Other products	5,596	12.7	7,928	10.9	5,888	16.7	4,154	15.8	5,862	18.9
<b>Total/Overall</b>	<b>647,774</b>	<b>25.5</b>	<b>553,980</b>	<b>23.9</b>	<b>573,368</b>	<b>22.3</b>	<b>359,137</b>	<b>22.1</b>	<b>359,509</b>	<b>20.5</b>

### Other income

Other income primarily consisted of sample sales income, rental income from staff quarter and investment properties, dividend income from listed available-for-sale financial assets and others. We generally charge a customer for samples provided if such customer does not place orders with us after receiving the samples. If the customer places orders with us after receiving the samples, we book the costs associated with the samples as sample charges under selling and distribution expenses. The following table sets out a breakdown of our other income for the years/periods indicated:

Other income	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	% of other income	HK\$'000	% of other income	HK\$'000	% of other income	HK\$'000	% of other income	HK\$'000	% of other income
	(Unaudited)									
Sample sales income	20,497	74.8	16,508	67.6	16,780	81.4	9,257	87.0	6,347	82.8
Rental income from investment properties	636	2.3	706	2.9	720	3.5	360	3.4	384	5.0
Rental income from properties occupied by employees	1,985	7.2	1,495	6.1	1,502	7.3	827	7.8	355	4.6
Dividend income from listed available-for-sale financial assets	529	1.9	112	0.5	15	0.1	6	0.1	3	0.0
Others	3,758	13.8	5,598	22.9	1,600	7.7	191	1.8	575	7.5
<b>Total</b>	<b>27,405</b>	<b>100.0</b>	<b>24,419</b>	<b>100.0</b>	<b>20,617</b>	<b>100.0</b>	<b>10,641</b>	<b>100.0</b>	<b>7,664</b>	<b>100.0</b>

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### Other gains/(losses)

Other gains and losses primarily consisted of (i) realised and unrealised gains or losses from derivative financial instruments; (ii) net gains on the disposals of available-for-sale financial assets; and (iii) net foreign exchange losses. The following table sets out a breakdown of our other gains/(losses) for the years/periods indicated:

<u>Other gains/(losses)</u>	<u>Year ended 31 March</u>			<u>Six months ended 30 September</u>	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Realised and unrealised gains/ (losses) from derivative financial instruments	14,007	(49,884)	26,475	19,610	(12,316)
Net foreign exchange (losses)/ gains	(7,924)	(13,694)	(4,516)	(3,925)	7,395
Net gains on disposals of available-for-sale financial assets	4,639	69	—	—	—
Net gains on investments	3,963	5,045	5,201	1,532	2,664
Net gains on disposals of property, plant and equipment	1,026	243	482	231	105
Others	(27)	—	—	—	(1)
<b>Total</b>	<b><u>15,684</u></b>	<b><u>(58,221)</u></b>	<b><u>27,642</u></b>	<b><u>17,448</u></b>	<b><u>(2,153)</u></b>

### Selling and distribution expenses

Our selling and distribution expenses primarily consisted of (i) transportation cost in relation to delivery of our knitwear products to customers; (ii) sample charges; (iii) commission expenses paid to agents of customers, which generally varies depending on the sales volume and sales price the agents may procure from customers; and (iv) advertising and promotion expenses. The following table sets out a breakdown of our selling and distribution expenses for the years/periods indicated:

<u>Selling and distribution expenses</u>	<u>Year ended 31 March</u>						<u>Six months ended 30 September</u>			
	<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2014</u>		<u>2015</u>	
	HK\$'000	% of total selling and distribution expenses	HK\$'000	% of total selling and distribution expenses	HK\$'000	% of total selling and distribution expenses	HK\$'000	% of total selling and distribution expenses	HK\$'000	% of total selling and distribution expenses
Sample charges	16,322	32.2	10,654	23.0	15,837	30.3	6,628	23.3	8,043	24.6
Commission	8,313	16.4	6,637	14.4	5,131	9.8	2,721	9.6	3,127	9.6
Advertising and promotion expenses	6,217	12.3	8,704	18.9	6,536	12.5	3,823	13.5	5,876	18.0
Transportation cost	19,894	39.1	20,169	43.7	24,800	47.4	15,220	53.6	15,646	47.8
<b>Total</b>	<b><u>50,746</u></b>	<b><u>100.0</u></b>	<b><u>46,164</u></b>	<b><u>100.0</u></b>	<b><u>52,304</u></b>	<b><u>100.0</u></b>	<b><u>28,392</u></b>	<b><u>100.0</u></b>	<b><u>32,692</u></b>	<b><u>100.0</u></b>

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For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our selling and distribution expense represented approximately 2.0%, 2.0%, 2.0% and 1.9% respectively of our revenue. During the Track Record Period, we have incurred commission expenses which were paid to three agents appointed by us which were all Independent Third Parties located in the US and Hong Kong. Commission were paid to these agents for their services such as following up with our customers' orders, sellings of our products to customers and facilitating communication with our customers, and the commission rate ranged between 0.5% to 5%, depending on the sales volume and the sales prices which the agents may procure from customers.

### General and administrative expenses

Our general and administrative expenses primarily consisted of (i) staff costs relating to management and administrative personnel; (ii) auditors, legal and professional fees; (iii) unlisted Key Man Insurance premium; (iv) donations to various charity and non-profit organisations; and (v) other office expenses including entertainment expenses, depreciation and motor car expenses. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, our general and administrative expenses represented approximately 8.1%, 9.1%, 9.2% and 7.8% respectively of our revenue.

The following tables sets out a breakdown of our general and administrative expenses for the years/periods indicated:

General and administrative expenses	Year ended 31 March						Six months ended 30 September			
	2013		2014		2015		2014		2015	
	HK\$'000	% of total general and administrative expenses	HK\$'000	% of total general and administrative expenses	HK\$'000	% of total general and administrative expenses	HK\$'000 (Unaudited)	% of total general and administrative expenses	HK\$'000	% of total general and administrative expenses
Staff costs	138,400	67.0	143,378	67.6	156,578	66.6	63,300	61.4	72,368	53.0
Auditors' remuneration	1,821	0.9	2,287	1.1	2,026	0.9	900	0.9	1,000	0.7
Legal and professional fees	4,293	2.1	4,751	2.2	4,934	2.1	1,816	1.8	17,069	12.5
Insurance premium	6,911	3.3	8,910	4.2	17,408	7.4	4,641	4.5	8,075	5.9
Rent, rates and building management fees	614	0.3	518	0.2	438	0.2	218	0.2	218	0.2
Donations	4,916	2.3	6,714	3.2	4,159	1.8	3,471	3.4	3,136	2.3
Other office expenses	49,764	24.1	45,487	21.5	49,658	21.0	28,827	27.9	34,706	25.4
<b>Total</b>	<b>206,719</b>	<b>100.0</b>	<b>212,045</b>	<b>100.0</b>	<b>235,202</b>	<b>100.0</b>	<b>103,174</b>	<b>100.0</b>	<b>136,573</b>	<b>100.0</b>

### Finance income

Finance income represented interest income from our bank deposits and loans to subcontractors to purchase machineries.

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### Finance expenses

Finance expenses represented interest expenses arising from our bank borrowings and finance charges in relation to finance lease obligations

### Finance expenses, net

The following table sets out the breakdown of our finance income and finance expenses for the years/periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Finance income</b>					
Interest income from:					
— Bank deposits	590	969	1,756	343	360
— Loans to subcontractors	<u>45</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>635</u>	<u>969</u>	<u>1,756</u>	<u>343</u>	<u>360</u>
<b>Finance expenses</b>					
Interest expenses on:					
— Bank borrowings	(16,888)	(16,449)	(21,807)	(10,545)	(13,427)
— Finance lease obligations	(2,837)	(944)	(185)	(112)	(2,216)
Net exchange gains on financing activities	<u>160</u>	<u>505</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(19,565)</u>	<u>(16,888)</u>	<u>(21,992)</u>	<u>(10,657)</u>	<u>(15,643)</u>
<b>Finance expenses — net</b>	<u>(18,930)</u>	<u>(15,919)</u>	<u>(20,236)</u>	<u>(10,314)</u>	<u>(15,283)</u>

### Income tax expenses

Income tax expense primarily represented the current and deferred tax at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, the PRC and other jurisdictions including Vietnam, the Cayman Islands and BVI. Under the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands and BVI. Hong Kong profits tax has been provided for at the rate of 16.5% for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 on the estimated assessable profits arising in or derived from Hong Kong. Taxation on overseas has been calculated

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on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which our Group operates. Our operating subsidiaries in the PRC is subject to the enterprise income tax at the rate of 25% for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015. Our subsidiary in Vietnam is subjected to corporate income tax (“CIT”) at the rate of 20% on taxable income for the first 10 years from the commencement of operation. After the first 10 years from the commencement of operation, it is subjected to CIT at the rate of 22% on taxable income. It is exempted from CIT for the first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the CIT rate in the 4 years thereafter. No profit tax has been provided for our subsidiary in Vietnam during the Track Record Period since it was in a loss position and it has been exempted from paying CIT for the calendar years 2014 and 2015. For each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, the effective tax rate of our Group was approximately 11.1%, 10.8%, 12.9% and 13.9% respectively.

Historically, we paid the additional profits tax in the total sum of HK\$22.5 million as a result of the assessment by the Hong Kong Inland Revenue Department (the “IRD”) on certain of our Hong Kong subsidiaries namely, Nameson Industrial, Kingmax Industrial and Winner Way for the periods prior to the Track Record Period, which commenced from the year 2001/2002 up to the year 2010/2011. According to our Directors and tax representatives, additional profits tax charges were incurred as a result of certain adjustments to gross profits, disallowance of certain prescribed fixed assets and certain offshore machine rental being claimed under such assessment. We had also made provision for such additional charges in the amount of HK\$8.3 million and HK\$14.2 million during the period prior to the Track Record Period and during the year ended 31 March 2013 respectively. We did not agree with the results of such assessment and settlement was reached to avoid the costs and expenses of further disagreement. For the assessments subsequent to the year 2010/2011, the IRD has agreed not to apply the same treatment in its assessments pursuant to its letter in May 2013 and no additional profit tax charges have been incurred thereafter.

Our Directors confirm that our Group had paid all relevant taxes that were due and was not subject to any disputes or tax issues during the Track Record Period.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six months ended 30 September 2014 compared to six months ended 30 September 2015

##### *Revenue*

Our revenue increased by approximately 8.0%, or HK\$130.4 million, from approximately HK\$1,626.0 million for the six months ended 30 September 2014 to approximately HK\$1,756.4 million for the six months ended 30 September 2015. Such increase was primarily attributable to the increase in the sales volume in all categories of our products, in particular in womenswear.

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### *Revenue by product categories*

Our revenue attributable to the sales of womenswear increased by approximately 10.4%, or HK\$95.3 million, from approximately HK\$915.1 million for the six months ended 30 September 2014 to approximately HK\$1,010.4 million for the six months ended 30 September 2015, primarily due to the increase in sales volume of our womenswear though at a lower average selling price.

Our revenue attributable to the sales of menswear increased by approximately 4.5%, or HK\$30.6 million, from approximately HK\$684.5 million for the six months ended 30 September 2014 to approximately HK\$715.1 million for the six months ended 30 September 2015, primarily due to the increase in sales volume and a slight increase in the average selling price of our menswear.

Our revenue attributable to the sales of other products increased by approximately 17.6%, or HK\$4.6 million, from approximately HK\$26.3 million for the six months ended 30 September 2014 to approximately HK\$31.0 million for the six months ended 30 September 2015, primarily due to the increase in sales volume of our other products though at a lower average selling price.

### *Revenue by geographic location*

Our revenue derived from Japan increased as a percentage of our total revenue for the six months ended 30 September 2015. Our sales to Japan increased by approximately 21.8%, or HK\$109.5 million, from approximately HK\$502.1 million for the six months ended 30 September 2014 to approximately HK\$611.6 million for the six months ended 30 September 2015, primarily due to increased orders place by one of our top customers for its sales in Japan.

Our revenue derived from the North American market, our second largest market, remained stable for the six months ended 30 September 2015.

Our revenue derived from the European market as a percentage of our total revenue for the six months ended 30 September 2015 remained relatively stable. Our sales to the European market increased by approximately 6.4%, or HK\$17.4 million, from approximately HK\$273.6 million for the six months ended 30 September 2014 to approximately HK\$291.0 million for the six months ended 30 September 2015, primarily due to the increased sales orders placed by one of our top customers for its sales in the European market.

Our revenue derived from China as a percentage of our total revenue for the six months ended 30 September 2015 remained stable. Our sales to China increased by approximately 10.2%, or HK\$11.3 million, from approximately HK\$111.4 million for the six months ended 30 September 2014 to approximately HK\$122.7 million for the six months ended 30 September 2015, primarily due to the increased sales orders placed by one of our top customers for its sales in the China market.

Our revenue derived from other countries and regions as a percentage of our total revenue for the six months ended 30 September 2015 remained stable.



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### *Cost of sales*

Our costs of sales increased by approximately 10.3%, or HK\$130.1 million, from approximately HK\$1,266.9 million for the six months ended 30 September 2014 to approximately HK\$1,396.9 million for the six months ended 30 September 2015, primarily reflecting the increases in our cost of inventories, direct labour costs, subcontracting charges and production overhead costs.

### *Costs of inventories*

Our costs of inventories increased by approximately 2.7%, or HK\$19.7 million, from approximately HK\$721.7 million for the six months ended 30 September 2014 to approximately HK\$741.4 million for the six months ended 30 September 2015, primarily due to an increase in our cost of raw materials as a result of the increased production volume of our products during the peak season.

### *Subcontracting charges*

Our subcontracting charges increased by approximately 14.2%, or HK\$29.4 million, from approximately HK\$206.4 million for the six months ended 30 September 2014 to approximately HK\$235.8 million for the six months ended 30 September 2015, primarily due to the increased production volume of our products by our subcontractors in order to supplement our capacity during the peak season prior to fully ramp up of our Vietnam Factory.

### *Direct labour costs*

Our direct labour costs increased by approximately 37.6%, or HK\$70.6 million, from approximately HK\$187.6 million for the six months ended 30 September 2014 to approximately HK\$258.2 million for the six months ended 30 September 2015, primarily due to (i) the increased number of staff for the ramp up of our Vietnam Factory and the training required for them to improve their efficiency in production; (ii) annual salary increment of our manufacturing staff in our PRC Factory; and (iii) the increased working time to meet the increased sales orders for our products during the peak season.

### *Electricity and water*

Our electricity and water costs increased by approximately 13.6%, or HK\$3.7 million, from approximately HK\$27.6 million for the six months ended 30 September 2014 to approximately HK\$31.3 million for the six months ended 30 September 2015, primarily due to the usage for our increased production volume to meet the increased sales orders for our products during the peak season.

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### *Production overhead costs*

Our production overhead costs increased by approximately 16.9%, or HK\$6.0 million, from approximately HK\$35.5 million for the six months ended 30 September 2014 to approximately HK\$41.5 million for the six months ended 30 September 2015, primarily due to the increased production volume resulting from the increased sales orders for our products during the peak season, in particular, the increase in consumable tools bought for our Vietnam Factory.

### *PRC VAT and government surcharges*

Our PRC VAT and government surcharges increased by approximately 19.5%, or HK\$1.3 million, from approximately HK\$6.4 million for the six months ended 30 September 2014 to approximately HK\$7.6 million for the six months ended 30 September 2015, primarily due to the increase in prices of certain of our products in export sales resulting in an increase in local government surcharges.

### *Gross profit and gross profit margin*

Our gross profit slightly increased by approximately 0.1%, or HK\$0.4 million, from approximately HK\$359.1 million for the six months ended 30 September 2014 to approximately HK\$359.5 million for the six months ended 30 September 2015. Our gross profit margin slightly decreased from approximately 22.1% for the six months ended 30 September 2014 to approximately 20.5% for the six months ended 30 September 2015, primarily reflecting the increased cost of sales, in particular, the increase in direct labour costs resulting from (i) the increased number of staff for the ramp up of our Vietnam Factory and the trainings required for them to improve their efficiency for our production; (ii) annual salary increment of our manufacturing staff in our PRC Factory; and (iii) the increased working time to meet the increased sales orders for our products during the peak season.

### *Gross profit and profit margin by product categories*

Our gross profit attributable to womenswear increased by approximately 0.1%, or HK\$0.3 million, from approximately HK\$215.5 million for the six months ended 30 September 2014 to approximately HK\$215.8 million for the six months ended 30 September 2015. Our gross profit margin for womenswear decreased from approximately 23.5% for the six months ended 30 September 2014 to approximately 21.4% for the six months ended 30 September 2015. Such decrease was primarily due to the increased cost of sales, in particular, the increase in direct labour cost resulting from (i) the increased number of staff for the ramp up of our Vietnam Factory and the training required for them to improve their efficiency in production; (ii) annual salary increment of our manufacturing staff in our PRC Factory; and (iii) the increased working time to meet the increased sales orders for our products during the peak season.

Our gross profit attributable to menswear decreased by approximately 1.1%, or HK\$1.6 million, from approximately HK\$139.5 million for the six months ended 30 September 2014 to approximately HK\$137.9 million for the six months ended 30 September 2015. Our gross profit

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margin for menswear slightly decreased from approximately 20.4% for the six months ended 30 September 2014 to approximately 19.3% for the six months ended 30 September 2015. Such decrease was primarily due to the increased cost of sales, in particular, the increase in direct labour cost resulting from (i) the increased number of staff for the ramp up of our Vietnam Factory and the training required for them to improve their efficiency in production; (ii) annual salary increment of our manufacturing staff in our PRC Factory; and (iii) the increased working time to meet the increased sales orders for our products during the peak season.

Our gross profit attributable to other products increased by approximately 40.5%, or HK\$1.7 million, from approximately HK\$4.2 million for the six months ended 30 September 2014 to approximately HK\$5.9 million for the six months ended 30 September 2015, which was in line with our increased revenue attributable to our other products as a result of the increases in sales volume. Our gross profit margin for other products increased from approximately 15.8% for the six months ended 30 September 2014 to approximately 18.9% for the six months ended 30 September 2015. Such increase was primarily due to a change of product mix sold.

### *Other income*

Our other income decreased by approximately 28.0% or HK\$3.0 million, from approximately HK\$10.6 million for the six months ended 30 September 2014 to approximately HK\$7.7 million for the six months ended 30 September 2015, primarily due to a decrease in sample sales income as we chose not to charge certain customers for samples produced by us.

### *Other gains or losses*

Our other gains/(losses) decreased by approximately HK\$19.6 million, turning other gains of approximately HK\$17.5 million for the six months ended 30 September 2014 to other losses of approximately HK\$2.2 million for the six months ended 30 September 2015, primarily due to the settlement and unwinding of all of our outstanding forward foreign currency contracts which resulted a net realised loss of approximately HK\$12.3 million and the recognition of net foreign exchange gain of approximately HK\$7.4 million.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 15.1%, or HK\$4.3 million, from approximately HK\$28.4 million for the six months ended 30 September 2014 to approximately HK\$32.7 million for the six months ended 30 September 2015, primarily due to the increases in our sample charges, which were in line with our increased sales during the period and the increase in our advertising and promotion expenses as a result of our increased participation in industry events and client events.

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### *General and administrative expenses*

Our general and administrative expenses increased by approximately 32.4%, or HK\$33.4 million, from approximately HK\$103.2 million for the six months ended 30 September 2014 to approximately HK\$136.6 million for the six months ended 30 September 2015, primarily due to (i) an increase of staff costs as a result of expansion of our sales team, addition of our administrative personnel in our Vietnam Factory and the annual salary increment of our administrative staff; (ii) an increase in legal and professional fees, the majority of which was incurred for the purpose of the Listing; and (iii) an increase in other office expenses primarily due to increase in travelling expenses, consumable tools and other incidental administration expenses.

### *Finance expenses, net*

Our net finance expenses mainly consisted of interest expenses on bank borrowings and finance lease obligations, which are partially offset by our finance income which mainly consisted of interest income from our bank deposits and loans to subcontractors. Our net finance expenses increased by 48.5%, or HK\$5.0 million, from approximately HK\$10.3 million for the six months ended 30 September 2014 to approximately HK\$15.3 million for the six months ended 30 September 2015. Such increase was primarily due to our increased bank borrowings to finance our expansion in Vietnam Factory.

### *Income tax expense*

Our income tax expenses decreased by approximately 15.9%, or HK\$4.8 million, from approximately HK\$29.8 million for the six months ended 30 September 2014 to approximately HK\$25.0 million for the six months ended 30 September 2015. Such decrease in income tax expenses was in line with the decrease in our profit before tax during the period.

### *Profit for the period and net profit margin*

As a result of the foregoing, our profit for the period decreased by approximately 27.9% or HK\$60.1 million from approximately HK\$215.6 million for the six months ended 30 September 2014 to approximately HK\$155.4 million for the six months ended 30 September 2015.

Our net profit margins were approximately 13.3% and 8.8% for the six months ended 30 September 2014 and 2015 respectively. The decrease in our net profit margin for the six months ended September 2015 was primarily due to the decrease in gross profit margin for the reasons stated above, the increase in general and administrative expenses, in particular, the legal and professional parties' fees incurred for the Listing and the realised and unrealised losses incurred from derivative financial instruments whilst a gain was recognised from such derivative financial instruments for the six months ended 30 September 2014.

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### Year ended 31 March 2015 compared with year ended 31 March 2014

#### *Revenue*

Our revenue increased by approximately 10.6%, or HK\$245.4 million, from approximately HK\$2,322.3 million for the year ended 31 March 2014 to approximately HK\$2,567.7 million for the year ended 31 March 2015. Such increase was primarily attributable to the increases in our sales of menswear and womenswear, partially offset by a decrease in our sales of other products.

#### *Revenue by product categories*

Our revenue attributable to the sales of womenswear increased by approximately 3.0%, or HK\$45.5 million, from approximately HK\$1,534.6 million for the year ended 31 March 2014 to approximately HK\$1,580.1 million for the year ended 31 March 2015, primarily due to an increase in our average selling price of womenswear. The increase in our average selling price of womenswear was primarily attributable to increased proportion of sales orders placed by one of our top customers for products with higher technical requirements and therefore comparatively higher average selling prices.

Our revenue attributable to the sales of menswear increased by approximately 33.2%, or HK\$237.5 million, from approximately HK\$714.8 million for the year ended 31 March 2014 to approximately HK\$952.4 million for the year ended 31 March 2015, primarily attributable to the increases in our sales volume and average selling price of menswear. The increases in our sales volume and average selling price of menswear were primarily due to increased sales orders placed by one of our top customers for its sales in the European market, which generally include more products with complex design and style and therefore comparatively higher average selling prices.

Our revenue attributable to the sales of other products decreased by approximately 51.7%, or HK\$37.7 million, from approximately HK\$72.9 million for the year ended 31 March 2014 to approximately HK\$35.2 million for the year ended 31 March 2015, primarily attributable to the decreases in our sales volume and average selling price of other products. The decreases in our sales volume and average selling price of other products were primarily due to decreased sales orders placed by one of our top customers for certain childrenswear products with relatively higher selling price.

#### *Revenue by geographic location*

Although our revenue derived from Japan decreased as a percentage of our total revenue, Japan remained our largest market for each of the two years ended 31 March 2014 and 2015 respectively. Our sales to Japan slightly increased by approximately 4.6%, or HK\$40.6 million, from approximately HK\$888.9 million for the year ended 31 March 2014 to approximately HK\$929.5 million for the year ended 31 March 2015, primarily due to increased sales orders placed by one of our top customers for its sales in Japan.

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Our revenue derived from the North American market, our second largest market, decreased as a percentage of our total revenue. Our sales to the North American market, however, increased by approximately 4.4%, or HK\$34.5 million, from approximately HK\$777.7 million for the year ended 31 March 2014 to approximately HK\$812.2 million for the year ended 31 March 2015, primarily due to increased sales orders placed by one of our top customers for its sales in the US.

Our revenue derived from the European market increased as a percentage of our total revenue. Our sales to the European market also increased by approximately 14.7%, or HK\$45.9 million, from approximately HK\$311.6 million for the year ended 31 March 2014 to approximately HK\$357.5 million for the year ended 31 March 2015, primarily due to increased sales orders placed by one of our top customers for its sales in the European market.

Our revenue derived from China increased as a percentage of our total revenue. Our sales to China also increased by approximately 28.3%, or HK\$37.8 million, from approximately HK\$133.3 million for the year ended 31 March 2014 to approximately HK\$171.1 million for the year ended 31 March 2015, primarily due to the addition of new customers and expansion of one of our top customers in China.

Our revenue derived from other countries and regions increased as a percentage of our total revenue. Our sales to other countries and regions also increased by approximately 41.2%, or HK\$86.8 million, from approximately HK\$210.7 million for the year ended 31 March 2014 to approximately HK\$297.5 million for the year ended 31 March 2015, primarily due to our increased sales to Korea, Australia and Singapore.

### *Cost of sales*

Our costs of sales increased by approximately 12.8%, or HK\$226.0 million, from approximately HK\$1,768.3 million for the year ended 31 March 2014 to approximately HK\$1,994.3 million for the year ended 31 March 2015, primarily reflecting the increases in our cost of inventories, direct labour costs, subcontracting charges and production overhead costs.

### *Costs of inventories*

Our costs of inventories increased by approximately 20.0%, or HK\$168.6 million, from approximately HK\$844.1 million for the year ended 31 March 2014 to approximately HK\$1,012.7 million for the year ended 31 March 2015, primarily due to an increase in our cost of raw materials as a result of our increased production volume of menswear.

### *Subcontracting charges*

Our subcontracting charges increased by approximately 6.7%, or HK\$21.7 million, from approximately HK\$324.5 million for the year ended 31 March 2014 to approximately HK\$346.2 million for the year ended 31 March 2015, primarily due to increased total production quantity by our subcontractors.

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### *Direct labour costs*

Our direct labour costs increased by approximately 8.7%, or HK\$26.8 million, from approximately HK\$309.3 million for the year ended 31 March 2014 to approximately HK\$336.1 million for the year ended 31 March 2015, primarily due to the annual salary increment of our manufacturing staff as well as an increase in the number of manufacturing staff at our Vietnam Factory.

### *Electricity and water*

Our electricity and water costs decreased by approximately 1.7%, or HK\$0.8 million, from approximately HK\$48.0 million for the year ended 31 March 2014 to approximately HK\$47.2 million for the year ended 31 March 2015, primarily as a result of a decrease in fuel prices and our energy saving measures implemented during the year.

### *Production overhead costs*

Our production overhead costs increased by approximately 8.9%, or HK\$6.2 million, from approximately HK\$69.8 million for the year ended 31 March 2014 to approximately HK\$76.0 million for the year ended 31 March 2015, primarily due to an increase in our packaging materials resulting from our increased sales volume of menswear.

### *PRC VAT and government surcharges*

Our PRC VAT and government surcharges increased by approximately 77.8%, or HK\$6.2 million, from approximately HK\$8.1 million for the year ended 31 March 2014 to approximately HK\$14.3 million for the year ended 31 March 2015, primarily due to the increase in prices of certain of our products in export sales resulting in an increase in local government surcharges.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased by approximately 3.5%, or HK\$19.4 million, from approximately HK\$554.0 million for the year ended 31 March 2014 to approximately HK\$573.4 million for the year ended 31 March 2015, which primarily reflected our increased gross profit attributable to menswear, partially offset by our decreased gross profit attributable to womenswear and other products. Our gross profit margin slightly decreased from approximately 23.9% for the year ended 31 March 2014 to approximately 22.3% for the year ended 31 March 2015, primarily reflecting our inability to pass onto our customers all of the increases in our production cost.

### *Gross profit and profit margin by product categories*

Our gross profit attributable to womenswear decreased by approximately 4.2%, or HK\$16.2 million, from approximately HK\$388.4 million for the year ended 31 March 2014 to approximately HK\$372.2 million for the year ended 31 March 2015. Our gross profit margin for womenswear slightly decreased from approximately 25.3% for the year ended 31 March 2014 to approximately



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23.6% for the year ended 31 March 2015. Such decreases were primarily due to an increase in our cost of raw materials and we believe that our suppliers had increased such cost due to reasons other than cost of cotton and wool, including labour costs.

Our gross profit attributable to menswear increased by approximately 23.8%, or HK\$37.6 million, from approximately HK\$157.7 million for the year ended 31 March 2014 to approximately HK\$195.3 million for the year ended 31 March 2015, which was in line with our increased revenue attributable to our menswear as a result of the increases in sales volume and average selling price of the menswear. Our gross profit margin for menswear however, slightly decreased from approximately 22.1% for the year ended 31 March 2014 to approximately 20.5% for the year ended 31 March 2015, primarily due to an increase in our cost of raw materials and we believe that our suppliers had increased such cost due to reasons other than cost of cotton and wool, including labour costs.

Our gross profit attributable to other products decreased by approximately 25.7%, or HK\$2.0 million, from approximately HK\$7.9 million for the year ended 31 March 2014 to approximately HK\$5.9 million for the year ended 31 March 2015. Our gross profit margin for other products increased from approximately 10.9% for the year ended 31 March 2014 to approximately 16.7% for the year ended 31 March 2015. Such increases were primarily due to a change of product mix sold.

### *Other income*

Our other income decreased by approximately 15.6% or HK\$3.8 million, from approximately HK\$24.4 million for the year ended 31 March 2014 to approximately HK\$20.6 million for the year ended 31 March 2015, primarily due to a decrease in administrative charges payable by employees and charges for use of facilities by employees.

### *Other gains or losses*

Our other gains/(losses) increased by approximately HK\$85.9 million, turning other losses of approximately HK\$58.2 million for the year ended 31 March 2014 to other gains of approximately HK\$27.6 million for the year ended 31 March 2015, primarily due to a reversal of unrealised losses from derivative financial instruments. We make a provision for unrealised losses from derivative financial instruments in 2014 in light of the RMB depreciation for the year ended 31 March 2014.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 13.3%, or HK\$6.1 million, from approximately HK\$46.2 million for the year ended 31 March 2014 to approximately HK\$52.3 million for the year ended 31 March 2015, primarily due to the increases in our sample charges and transportation expenses, which were in line with our increased sales during the year, partially offset by a decrease in our advertising and promotion expenses as a result of our decreased participation in industry events and client events and a decrease in our commission paid to the agents.



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### *General and administrative expenses*

Our general and administrative expenses increased by approximately 10.9%, or HK\$23.2 million, from approximately HK\$212.0 million for the year ended 31 March 2014 to approximately HK\$235.2 million for the year ended 31 March 2015, primarily due to an increase in our staff costs relating to management and administrative personnel as a result of the commencement of operations of our Vietnam Factory and an increase in Key Man Insurance premium as a result of the increased insurance coverage for one of our Directors.

### *Finance expenses, net*

Our net finance expenses mainly consisted of interest expenses on bank borrowings and finance lease obligations, which are partially offset by our finance income which mainly consisted of interest income from our bank deposits and loans to subcontractors. Our finance expenses increased by approximately 30.2%, or HK\$5.1 million, from approximately HK\$16.9 million for the year ended 31 March 2014 to approximately HK\$22.0 million for the year ended 31 March 2015. This increase in finance expenses was primarily due to our increased bank borrowings during the year to finance our business operations and the first phase of our Vietnam Factory. Our finance income increased by approximately 81.2% from approximately HK\$1.0 million to approximately HK\$1.8 million during the same period, primarily due to our increased average bank deposits. As a result, our net finance expenses increased by 27.1% from approximately HK\$15.9 million for the year ended 31 March 2014 to approximately HK\$20.2 million for the year ended 31 March 2015.

### *Income tax expense*

Our income tax expenses increased by approximately 51.9%, or HK\$13.9 million, from approximately HK\$26.7 million for the year ended 31 March 2014 to approximately HK\$40.5 million for the year ended 31 March 2015. Such an increase in income tax expenses was in line with the increase in our profit before tax during the year.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year increased by approximately 24.6% or HK\$54.0 million from approximately HK\$219.4 million for the year ended 31 March 2014 to approximately HK\$273.3 million for the year ended 31 March 2015.

Our net profit margins were approximately 9.4% and 10.6% for the year ended 31 March 2014 and 2015 respectively. The increase in our net profit margin in 2015 was primarily due to the reversal of a provision made in 2014 for unrealised losses from derivative financial instruments in light of the RMB depreciation for the year ended 31 March 2014.

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### Year ended 31 March 2014 compared with year ended 31 March 2013

#### *Revenue*

Our revenue decreased by approximately 8.7%, or HK\$220.5 million, from approximately HK\$2,542.8 million for the year ended 31 March 2013 to approximately HK\$2,322.3 million for the year ended 31 March 2014. Such decrease was primarily due to a decrease in our sales of menswear and womenswear partially offset by an increase in our sales of other products.

#### *Revenue by product categories*

Our revenue attributable to the sales of womenswear decreased by approximately 2.9%, or HK\$45.7 million, from approximately HK\$1,580.3 million for the year ended 31 March 2013 to approximately HK\$1,534.6 million for the year ended 31 March 2014, primarily due to a decrease in our sales volume of womenswear as a result of sales orders usually placed by one of our top customers in the first quarter being actually placed only in the second quarter of 2014. Such decrease was reflected in the first quarter of 2014, being partially offset by a slight increase in our average selling price of womenswear, resulting from increased proportion of sales orders placed by one of our top customers for products with higher technical requirements and therefore comparatively higher average selling prices.

Our revenue attributable to the sales of menswear decreased by approximately 22.2%, or HK\$203.6 million, from approximately HK\$918.4 million for the year ended 31 March 2013 to approximately HK\$714.8 million for the year ended 31 March 2014, primarily due to the decreases in our sales volume and average selling price of menswear. The decrease in our sales volume of menswear was primarily a result of sales orders usually placed by one of our top customers in the first quarter being actually placed only in the second quarter of 2014. Such decrease was reflected in the first quarter of 2014. The decrease in our average selling price of menswear was primarily due to increased proportion of sales orders placed by one of our top customers for products with simple designs and lower technical requirements and therefore comparatively lower average selling price.

Our revenue attributable to the sales of other products increased by approximately 65.2%, or HK\$28.7 million, from approximately HK\$44.1 million for the year ended 31 March 2013 to approximately HK\$72.9 million for the year ended 31 March 2014, primarily due to increases in our sales volume and average selling price of other products, resulting from sales orders placed by one of our top customers for certain childrenswear products with relatively higher selling price.

#### *Revenue by geographic location*

Although our revenue derived from Japan decreased as a percentage of our total revenue, Japan remained our largest market for each of the two years ended 31 March 2013 and 2014 respectively. Our sales to the Japan market also decreased by approximately 11.7%, or HK\$118.3 million, from approximately HK\$1,007.2 million for the year ended 31 March 2013 to

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approximately HK\$888.9 million for the year ended 31 March 2014, primarily due to decreased sales orders usually placed by one of our top customers for its sales in Japan, which was actually placed only in the second quarter of 2014. Such decrease was reflected in the first quarter of 2014.

Our revenue derived from the North American market, our second largest market, increased as a percentage of our total revenue. Our sales to the North American market also slightly increased by approximately 2.3%, or HK\$17.5 million, from approximately HK\$760.2 million for the year ended 31 March 2013 to approximately HK\$777.7 million for the year ended 31 March 2014, primarily due to increased sales orders placed by to one of our top customers for their sales in the US and Canada.

Our revenue derived from the European market decreased as a percentage of our total revenue. Our sales to the European market also decreased by approximately 19.6%, or HK\$75.8 million, from approximately HK\$387.5 million for the year ended 31 March 2013 to approximately HK\$311.6 million for the year ended 31 March 2014, primarily due to decreased sales orders for products with higher technical requirements and complex designs placed by one of our top customers for its sales in the European market.

Our revenue derived from China slightly increased as a percentage of our total revenue. Our sales to China, however, decreased by approximately 5.4%, or HK\$7.6 million, from approximately HK\$140.9 million for the year ended 31 March 2013 to approximately HK\$133.3 million for the year ended 31 March 2014, primarily due to decreased sales volume to one of our top customers as a result of sales orders usually placed by such customer actually placed only in the second quarter of 2014. Such decrease was reflected in the first quarter of 2014.

Our revenue derived from other countries and regions decreased as a percentage of our total revenue. Our sales to other countries and regions also decreased by approximately 14.7%, or HK\$36.3 million, from approximately HK\$247.1 million for the year ended 31 March 2013 to approximately HK\$210.7 million for the year ended 31 March 2014, primarily due to our decreased sales to Korea and Taiwan.

### *Cost of sales*

Our costs of sales decreased by approximately 6.6%, or HK\$126.7 million, from approximately HK\$1,895.0 million for the year ended 31 March 2013 to approximately HK\$1,768.3 million for the year ended 31 March 2014, primarily reflecting the decreases in our cost of inventories and subcontracting charges, partially offset by an increase in our production overhead costs.

### *Costs of inventories*

Our material costs decreased by approximately 8.0%, or HK\$73.3 million, from approximately HK\$917.5 million for the year ended 31 March 2013 to approximately HK\$844.1 million for the year ended 31 March 2014, primarily due to a decrease in our cost of raw materials, as a result of our decreased production volume of menswear and womenswear.

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### *Subcontracting charges*

Our subcontracting charges decreased by approximately 18.2%, or HK\$72.3 million, from approximately HK\$396.8 million for the year ended 31 March 2013 to approximately HK\$324.5 million for the year ended 31 March 2014, primarily due to the decreased total production volume by our subcontractors.

### *Direct labour costs*

Our direct labour costs remained stable and only slightly increased by approximately 0.3%, or HK\$1.0 million, from approximately HK\$308.3 million for the year ended 31 March 2013 to approximately HK\$309.3 million for the year ended 31 March 2014, primarily due to our effective measures for direct labour costs control.

### *Electricity and water*

Our electricity and water costs decreased by approximately 7.4%, or HK\$3.8 million, from approximately HK\$51.8 million for the year ended 31 March 2013 to approximately HK\$48.0 million for the year ended 31 March 2014, primarily due to a decrease in fuel prices and our energy saving measures implemented during the year.

### *Production overhead costs*

Our production overhead costs increased by approximately 26.2%, or HK\$14.5 million, from approximately HK\$55.3 million for the year ended 31 March 2013 to approximately HK\$69.8 million for the year ended 31 March 2014, primarily due to an increase in our consumable tools as a result of our routine replacement of certain parts of our machineries every few years.

### *PRC VAT and government surcharges*

Our PRC VAT and government surcharges increased by approximately 113.8%, or HK\$4.3 million, from approximately HK\$3.8 million for the year ended 31 March 2013 to approximately HK\$8.1 million for the year ended 31 March 2014, primarily due to the increase in prices of our products in export sales resulting in an increase in local government surcharges.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit decreased by approximately 14.5%, or HK\$93.8 million, from approximately HK\$647.8 million for the year ended 31 March 2013 to approximately HK\$554.0 million for the year ended 31 March 2014, which primarily reflected our lower revenue and a decrease in our gross profit margin across all product categories. Our gross profit margin decreased from approximately 25.5% for the year ended 31 March 2013 to approximately 23.9% for the year ended 31 March 2014, primarily reflecting our inability to pass on to our customers all the increases in our production cost.

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### *Gross profit and gross profit margin by product categories*

Our gross profit attributable to womenswear decreased by approximately 8.7%, or HK\$36.8 million, from approximately HK\$425.2 million for the year ended 31 March 2013 to approximately HK\$388.4 million for the year ended 31 March 2014, which was in line with our decreased revenue attributable to womenswear as a result of the decrease in sales volume. Our gross profit margin for womenswear slightly decreased from approximately 26.9% for the year ended 31 March 2013 to approximately 25.3% for the year ended 31 March 2014, primarily due to an increase in our production cost which we were unable to fully pass onto our customers.

Our gross profit attributable to menswear decreased by approximately 27.3%, or HK\$59.3 million, from approximately HK\$217.0 million for the year ended 31 March 2013 to approximately HK\$157.7 million for the year ended 31 March 2014, which was in line with our decreased revenue attributable to menswear as a result of the decreases in sales volume and average selling price. Our gross profit margin for menswear slightly decreased from approximately 23.6% for the year ended 31 March 2013 to approximately 22.1% for the year ended 31 March 2014, primarily due to an increase in our production cost which we were unable to fully pass onto our customers.

Our gross profit attributable to other products increased by approximately 41.7%, or HK\$2.3 million, from approximately HK\$5.6 million for the year ended 31 March 2013 to approximately HK\$7.9 million for the year ended 31 March 2014, which was line with our increased revenue attributable to other products as a result of the increases in sales volume and average selling price. Our gross profit margin for other products slightly decreased from approximately 12.7% for the year ended 31 March 2013 to approximately 10.9% for the year ended 31 March 2014, primarily due to a change of product mix sold.

### ***Other income***

Our other income decreased by approximately 10.9% or HK\$3.0 million, from approximately HK\$27.4 million for the year ended 31 March 2013 to approximately HK\$24.4 million for the year ended 31 March 2014, primarily due to a decrease in sample sales income, partially offset by an increase in others including administrative charges payable by employees and charges for use of facilities by employees.

### ***Other gains or losses***

Our other gains/(losses) decreased by approximately HK\$73.9 million, turning other gains of approximately HK\$15.7 million for the year ended 31 March 2013 to other losses of approximately HK\$58.2 million for the year ended 31 March 2014, primarily due to a provision made for unrealised losses from derivative financial instruments in light of the RMB depreciation for the year ended 31 March 2014.

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### *Selling and distribution expenses*

Our selling and distribution expenses decreased by approximately 9.0%, or HK\$4.6 million, from approximately HK\$50.7 million for the year ended 31 March 2013 to approximately HK\$46.2 million for the year ended 31 March 2014, primarily due to our decreased sample charges and commission paid to the agents, which was in line with our decreased sales during the year, partially offset by an increase in our advertising and promotion expenses as a result of our increased participation in industry events and client events.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately 2.6%, or HK\$5.3 million, from approximately HK\$206.7 million for the year ended 31 March 2013 to approximately HK\$212.0 million for the year ended 31 March 2014, primarily due to increases in our staff costs relating to management and administrative personnel, insurance expenses and donations to various charity and non-profit organisations.

### *Finance expenses, net*

Our net finance expenses primarily consisted of interest expenses on bank borrowing and finance charges in relation to finance lease obligations, which are partially offset by our finance income which primarily consisted of interest income from our bank deposits and loans to subcontractors. Our finance expenses decreased by approximately 13.7%, or HK\$2.7 million, from approximately HK\$19.6 million for the year ended 31 March 2013 to approximately HK\$16.9 million for the year ended 31 March 2014. This decrease in finance expenses was primarily due to a decrease in our finance lease obligations towards the end of the hire purchase agreements for our machineries. Our finance income increased by approximately 52.6% from approximately HK\$0.6 million to approximately HK\$1.0 million during the same period, primarily due to our increased average bank deposits and net exchange gains on financing activities. As a result, our net finance expenses decreased by 15.9% from approximately HK\$18.9 million for the year ended 31 March 2013 to approximately HK\$15.9 million for the year ended 31 March 2014.

### *Income tax expenses*

Our income tax expense decreased by approximately 42.1%, or HK\$19.4 million, from approximately HK\$46.1 million for the year ended 31 March 2013 to approximately HK\$26.7 million for the year ended 31 March 2014. Such a decrease in income tax expense was in line with the decrease in our profit before tax during the year.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year decreased by approximately 40.5% or HK\$149.0 million from approximately HK\$368.4 million for the year ended 31 March 2013 to approximately HK\$219.4 million for the year ended 31 March 2014.

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Our net profit margins were approximately 14.5% and 9.4% for the year ended 31 March 2013 and 2014 respectively. The decrease in our net profit margin was primarily due to the combined effect of our decreased gross profit during the year and a provision made in 2014 for unrealised losses from derivative financial instruments in light of the RMB depreciation for the year ended 31 March 2014.

### CERTAIN ITEMS OF COMBINED BALANCE SHEET

#### Property, plant and equipment

Our property, plant and equipment primarily consisted of land, buildings, plant and machineries. As at 31 March 2013, 2014 and 2015 and as at 30 September 2015, our property, plant and equipment amounted to approximately HK\$964.9 million, HK\$825.3 million, HK\$874.9 million and HK\$788.2 million respectively. The decrease in our property, plant and equipment from 31 March 2013 to 31 March 2014 was primarily due to depreciation. The increase in our property, plant and equipment from 31 March 2014 to 31 March 2015 was primarily due to the addition of plant and machineries for our Vietnam Factory during the year, partially offset by depreciation. It then decreased from 31 March 2015 to 30 September 2015 primarily due to depreciation.

#### Inventories

The following table sets out a breakdown of our inventories during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	99,381	167,179	135,828	90,728
Work-in-progress	344,565	366,909	332,845	161,010
Finished goods	67,173	3,144	7,148	98,533
	<u>511,119</u>	<u>537,232</u>	<u>475,821</u>	<u>350,271</u>

Our inventories consisted of raw materials, work-in-progress and finished goods. Raw materials primarily consisted of the cost of yarn, cashmere and other accessories such as buttons, zippers, labels and hangtags. Work-in-progress represented semi-finished products currently under production either in our own production facilities or those allocated to our third-party manufacturing subcontractors. Finished goods represented finished knitwear products maintained at our production facilities.

Our inventories increased from approximately HK\$511.1 million as at 31 March 2013 to approximately HK\$537.2 million as at 31 March 2014, primarily reflecting the increase in raw materials and work-in-progress, partially offset by the decrease of finished goods. The increase in raw materials was primarily due to our increased purchase of cashmere in response to one of our top customers' purchase orders for cashmere knitwear products and our own purchases in light of



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the relatively low cashmere market price in 2014. The decrease in our finished goods was primarily due to a temporary increase in finished goods at the end of March 2013 in response to more purchase orders with delivery scheduled in April 2013.

Our inventories decreased from approximately HK\$537.2 million as at 31 March 2014 to approximately HK\$475.8 million as at 31 March 2015, primarily reflecting the decreases in raw materials and work-in-progress, partially offset by the increase in finished goods. The decreases in raw materials and work-in-progress was primarily due to the consumption of the cashmere inventories that we stocked in 2014. The increase in our finished goods was primarily due to the delivery of our finished products which were scheduled in April 2015.

Our inventories decreased from approximately HK\$475.8 million as at 31 March 2015 to approximately HK\$350.3 million as at 30 September 2015, primarily reflecting the decreases in raw materials and work-in-progress, partially offset by the increase in finished goods as a result of turning raw material and work-in-progress into finished goods in order to meet the demand during peak season.

As at 31 January 2016, HK\$299.7 million or 85.6% of our inventories has been used or consumed subsequent to 30 September 2015.

The following table sets out our average inventory and inventory turnover days during the Track Record Period:

	As at and for the year ended 31 March			As at and for the six months ended 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Average inventory <sup>(1)</sup>	489,488	524,176	506,527	413,046
Average inventory turnover days <sup>(2)</sup>	94.3 days	108.2 days	92.7 days	53.8 days

*Notes:*

- (1) Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period, divided by two.
- (2) Average inventory turnover days are calculated by dividing average inventory by cost of sales of the relevant year/period, multiplying the resulting value by 365 days for the year ended 31 March 2013, 2014 and 2015, or 182 days for the six months ended 30 September 2015.

Our inventory turnover days were approximately 94.3 days, 108.2 days, 92.7 days and 53.8 days for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The increase in our inventory turnover days from approximately 94.3

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days in 2013 to approximately 108.2 days in 2014 was primarily due to the increased purchase of cashmere in light of the relatively low cashmere market price in 2014. The decrease in our inventory turnover days from approximately 108.2 days in 2014 to approximately 92.7 days in 2015 was primarily due to an increase in orders from customers who requested for shorter time for delivery. We were able to meet such short delivery schedule due to our efforts to improve production cycle and efficiency. There was a further decrease from 31 March 2015 to 30 September 2015 due to an increase in consumption of inventory in order to meet the demand during peak season.

We generally place purchase orders for raw materials after our customers have confirmed their orders which specify the type of yarn and accessories to be used for their knitwear products. An inventory record is kept to facilitate storage and retrieval of raw materials. Our procurement team monitors supply and storage of raw materials including yarn and accessories to ensure a sufficient supply of raw materials for production. To minimise wastage of raw materials, we require our suppliers to deliver a precise amount of yarn required to fill each production order. Where excessive yarn or raw materials remain after completing a customer's order, we would obtain consent from our customers if we could secure more sales orders using up the excessive yarn or raw materials. We made provision for impairment of inventories in the amount of approximately HK\$6.7 million, HK\$8.7 million and HK\$9.9 million for each of the three years ended 31 March 2013, 2014 and 2015 respectively. For the six months ended 30 September 2015, we have made a reversal of impairment of inventories in the amount of approximately HK\$4.2 million due to the consumption of old inventories in our production process. Please refer to the section headed "Business — Inventory Control" for details of our inventory control policies.

### Trade receivables

The following table sets out our trade receivables during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	56,070	47,727	38,697	319,422

Our trade receivables related to knitwear products sold to our customers and consisted of outstanding amounts receivables by us from our customers. Our trade receivables decreased from approximately HK\$56.1 million as at 31 March 2013 to approximately HK\$47.7 million as at 31 March 2014 and thereafter to approximately HK\$38.7 million as at 31 March 2015, primarily due to increased collections prior to the financial year end from one of its top customers for deliveries in the last quarter of that financial year end. As at 30 September 2015, our trade receivables increased to approximately HK\$319.4 million primarily due to the increase in our sales made during the peak season.

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The following table sets out our average trade receivables and trade receivable turnover days for the periods indicated:

	Year ended 31 March/As at 31 March			Six months ended/ As at 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Average trade receivables <sup>(1)</sup>	52,593	51,899	43,212	199,265	179,060
Average trade receivable turnover days <sup>(2)</sup>	7.5 days	8.2 days	6.1 days	22.3 days	18.6 days

*Notes:*

- (1) Average trade receivables equals trade receivables at the beginning of the year/period plus trade receivables as at the end of the year/period, divided by two.
- (2) Average trade receivable turnover days are calculated by dividing average trade receivables by revenue of the relevant year/period, multiplying the resulting value by 365 days for the year ended 31 March 2013, 2014 and 2015 or 182 days for the six months ended 30 September 2014 and 2015.

During the Track Record Period, we generally grant our customers credit periods ranging from 0 to 60 days. Our average trade receivable turnover days were approximately 7.5 days, 8.2 days, 6.1 days and 18.6 days for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. Our average trade receivable turnover days during each of the three years ended 31 March 2013, 2014 and 2015 were significantly shorter than the credit period granted to our customers, primarily due to our relatively low trade receivables balance as at 31 March, as December to April is the low season for sales of our products. For the six months ended 30 September 2014 and 2015, our average trade receivable turnover days were significantly higher due to our relatively high trade receivables as at 30 September 2014 and 2015, as May to November is the peak season for sales of our products.

The following table sets out the ageing analysis of our trade receivables based on invoice date during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to three months	55,552	46,922	35,830	318,382
Three to six months	305	538	1,809	660
Over six months	213	267	1,058	380
	<u>56,070</u>	<u>47,727</u>	<u>38,697</u>	<u>319,422</u>

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As at 31 March 2013, 2014 and 2015 and as at 30 September 2015, our trade receivables of HK\$10.4 million, HK\$14.5 million, HK\$9.3 million and HK\$34.8 million were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The following table sets out the ageing analysis of our trade receivables past due as at the dates indicated during the Track Record Period:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Past due by:				
Up to three months	9,997	14,047	6,764	33,989
Three to six months	401	418	1,944	559
Over six months	—	—	636	250
	<u>10,398</u>	<u>14,465</u>	<u>9,344</u>	<u>34,798</u>

As at 31 January 2016, approximately HK\$318.9 million or 99.9% of our trade receivables outstanding as at 30 September 2015 were settled.

### Prepayments, deposits, other receivables and other assets

The following table sets out a breakdown of our prepayments, deposits, other receivables and other assets during the Track Record Period:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments for property, plant and equipment	—	7,265	17,198	16,382
Prepayments for subcontracting charges	2,100	952	2,000	—
Other prepayments	31,177	37,855	40,820	46,998
Deposits	869	1,259	575	868
Other receivables	37,449	11,876	7,250	55,732
Other assets	<u>1,682</u>	<u>1,682</u>	<u>1,682</u>	<u>1,682</u>
	73,277	60,889	69,525	121,662
Less: Non-current portion	<u>(17,020)</u>	<u>(19,441)</u>	<u>(34,534)</u>	<u>(33,594)</u>
Current portion	<u>56,257</u>	<u>41,448</u>	<u>34,991</u>	<u>88,068</u>

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Prepayments for property, plant and equipment increased from nil as at 31 March 2013 to approximately HK\$7.3 million as at 31 March 2014 due to an increase in prepayment for equipment and machineries for our PRC Factory. It further increased to approximately HK\$17.2 million as at 31 March 2015 due to the addition of property, plant and equipment for our Vietnam Factory. It then slightly decreased to approximately HK\$16.4 million as at 30 September 2015.

Prepayments for subcontracting charges decreased from approximately HK\$2.1 million as at 31 March 2013 to approximately HK\$1.0 million as at 31 March 2014 before increasing to approximately HK\$2.0 million as at 31 March 2015, and then decreased to nil as at 30 September 2015. Such prepayments generally vary according to the delivery schedule of semi-finished products manufactured by our third-party manufacturing subcontractors.

Other prepayments increased from approximately HK\$31.2 million as at 31 March 2013 to approximately HK\$37.9 million as at 31 March 2014 and further increased to approximately HK\$40.8 million as at 31 March 2015. Such prepayments mainly consist of prepaid insurance premium for our Key Man Insurance and the increase was primarily due to the increase in insurance coverage for one of our Directors. Such other prepayments further increased to approximately HK\$47.0 million as at 30 September 2015, primarily due to the prepayments for legal and professional fees incurred for the Listing.

Deposits related to deposits paid for certain non-recurring sundry items. During the Track Record Period, our deposits paid had consistently been maintained at a minimum level.

Other receivables represented tax refunds calculated by reference to historical machinery purchases in our PRC Factory, raw materials utilised during the year and the export sales of our products. Other receivables as at 30 September 2015 also included discounts offered by our subcontractors which were not yet settled and trade receivables factored to banks. Our other receivables decreased from approximately HK\$37.5 million as at 31 March 2013 to approximately HK\$11.9 million as at 31 March 2014 to HK\$7.3 million as at 31 March 2015 primarily due to reducing balances of our historical machinery purchases which could be claimed as our tax refunds. It then increased to HK\$55.7 million as at 30 September 2015 primarily due to (i) the discounts which were offered to us by our subcontractors as a result of our purchase of subcontracting services from them exceeding certain agreed subcontracting amount between us for the six months ended 30 September 2015, and such discount amount was subsequently settled in November 2015; and (ii) certain of our trade receivables from one of our five largest customers in the amount of approximately HK\$60.4 million were factored to banks only during the six months ended 30 September 2015, of which approximately HK\$30.8 million were remained outstanding and accounted as other receivables as at 30 September 2015 in the financial statements, and were subsequently settled in October 2015.

Other assets mainly represent club debentures.

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### Trade and bills payables

The following table sets out our trade and bills payables during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills payables	156,619	130,816	141,002	179,166

Trade and bills payables primarily represented payables to our third-party raw material suppliers and manufacturing subcontractors. Our trade and bills payables decreased from approximately HK\$156.6 million as at 31 March 2013 to approximately HK\$130.8 million as at 31 March 2014 primarily due to a decrease in raw material purchases in line with our decreased sales volumes. Our trade and bills payables increased from approximately HK\$130.8 million as at 31 March 2014 to approximately HK\$141.0 million as at 31 March 2015, and further increased to approximately HK\$179.2 million as at 30 September 2015, primarily due to our increased purchases of raw materials in line with our increased sales volumes.

The following table sets out our average trade payables and trade payables turnover days during the Track Record Period:

	Year ended 31 March/As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Average trade and bills payables <sup>(1)</sup>	159,522	143,718	135,909	160,084
Average trade and bills payables turnover days <sup>(2)</sup>	30.7 days	29.7 days	24.9 days	20.9 days

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*Notes:*

- (1) Average trade and bills payables equals trade and bills payables at the beginning of the year/period plus trade and bills payables as at the end of the year/period, divided by two.
- (2) Average trade and bills payables turnover days are calculated by dividing average trade and bills payables by cost of sales for the relevant year/period, multiplying the resulting value by 365 days for the year ended 31 March 2013, 2014 and 2015 or 182 days for the six months ended 30 September 2015.

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Our suppliers grant us credit terms generally ranging from 0 to 60 days. Our average trade and bill payables turnover days were approximately 30.7 days, 29.7 days, 24.9 days and 20.9 days for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The decrease in our average trade and bills payables turnover days during the Track Record Period was primarily due to relatively less purchases in the run up to the financial year-end in the years ended 31 March 2014 and 2015 as well as for the six months ended 30 September 2015 as compared to the year ended 31 March 2013.

The following table sets out the ageing analysis of our trade and bills payables during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
within one month	115,587	74,473	93,828	84,511
one to two months	30,047	47,529	31,072	70,462
two to three months	7,771	8,814	15,132	24,137
over three months	3,214	—	970	56
	156,619	130,816	141,002	179,166

As at 31 January 2016, approximately HK\$179.2 million or 100.0% of our trade payables outstanding as at 30 September 2015 were settled.

### Accruals and other payables

The following table sets out a breakdown of our accruals and other payables during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receipts in advance	2,662	4,216	1,403	225
Accrued subcontracting charges	42,842	8,972	10,585	13,924
Accrued salaries	43,843	42,734	46,049	54,645
Other accrued expenses	12,180	13,001	10,275	16,545
Other payables	11,526	15,323	17,278	34,420
	113,053	84,246	85,590	119,759



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Receipts in advance represented deposits from some of our customers. Our receipts in advance increased from approximately HK\$2.7 million as at 31 March 2013 to approximately HK\$4.2 million as at 31 March 2014 primarily due to our increased sales to several customers in the PRC who made advance payments before our delivery of products. Our receipts in advance decreased from approximately HK\$4.2 million as at 31 March 2014 to approximately HK\$1.4 million as at 31 March 2015, primarily due to our decreased sales to customers in the PRC with advance payments terms. It further decreased to approximately HK\$0.2 million as at 30 September 2015 primarily due to less products were sold to customers with advance payments terms.

Accrued subcontracting charges decreased from approximately HK\$42.8 million as at 31 March 2013 to approximately HK\$9.0 million as at 31 March 2014 primarily due to increased orders at the end of 31 March 2013 for delivery in April 2013. Our accrued subcontracting charges increased from HK\$9.0 million as at 31 March 2014 to approximately HK\$10.6 million as at 31 March 2015, and further increased to approximately HK\$13.9 million as at 30 September 2015, which is in line with our increased sales and production volume.

Our accrued salaries were relatively stable from 31 March 2013 to 31 March 2014 with a modest increase in the year ended 31 March 2015 and a further increase as at 30 September 2015 as a result of increases in labour costs and in line with the ramp up of our Vietnam Factory resulting in an increase in the number of employees.

Other accrued expenses comprise accrued commission expenses and other sundry items which were relatively stable as at 31 March 2013 and 2014. The decrease in such expenses from approximately HK\$13.0 million as at 31 March 2014 to approximately HK\$10.3 million as at 31 March 2015 was mainly attributable to decreased commissions which we negotiated. Such expenses were then increased to approximately HK\$16.5 million as at 30 September 2015 primarily due to the accrual of legal and professional fees for the Listing.

Other payables primarily consisted of utilities of our PRC Factory, machinery acquisition and administrative charges for employee related benefits. Our other payables increased from approximately HK\$11.5 million as at 31 March 2013 to approximately HK\$15.3 million as at 31 March 2014 primarily due to an increase in administrative charges for employee related benefits. Our other payables increased from approximately HK\$15.3 million as at 31 March 2014 to approximately HK\$17.3 million as at 31 March 2015, primarily due to an increase in office expenses in relation to the Vietnam Factory. Our other payables further increased to approximately HK\$34.4 million as at 30 September 2015 mainly due to payables for the construction cost of our Vietnam Factory.

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### Available-for-sale financial assets

We have engaged in certain investment activities, including the purchases and sales of financial assets such as equity securities listed in Hong Kong and unlisted investments, which represent our Key Man Insurance. All of the funds used in such investment activities were financed mainly by internal funding and a five-year term borrowing which contains a repayment on demand provision. Such borrowing is expected to continue after Listing. The following table sets out a breakdown of our available-for-sale financial assets during the Track Record Period:

	Year ended 31 March			Six months ended 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets				
— Equity securities listed in Hong Kong, at fair value	3,940	259	333	302
— Unlisted investments, at fair value	<u>110,952</u>	<u>115,997</u>	<u>154,157</u>	<u>156,821</u>
	<u>114,892</u>	<u>116,256</u>	<u>154,490</u>	<u>157,123</u>
Beginning of the year/period	109,662	114,892	116,256	154,490
Additions	11,994	—	63,018	—
Disposals	(15,589)	(3,535)	(30,059)	—
Net gains on investments	3,963	5,045	5,201	2,664
Fair value gains/(losses) recognised in other comprehensive income	<u>4,862</u>	<u>(146)</u>	<u>74</u>	<u>(31)</u>
End of the year/period	<u>114,892</u>	<u>116,256</u>	<u>154,490</u>	<u>157,123</u>

Our available-for-sale financial assets increased from approximately HK\$114.9 million as at 31 March 2013 to approximately HK\$116.3 million as at 31 March 2014 and further increased to approximately HK\$154.5 million as at 31 March 2015 and to approximately HK\$157.1 million as at 30 September 2015. The increase in the overall available-for-sale financial assets was primarily due to the purchase of additional Key Man Insurance, partially offset by the reallocation of certain Key Man Insurance to companies outside the Group as a result of the Reorganisation.

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We adopted a treasury and investment policy which set out overall principles as well as detailed approval processes of our investment activities. Such policy includes, among other things, the following:

- investments in high risk products being prohibited;
- investments should be non-speculative in nature and the primary objectives of investment activities are safety, liquidity and reasonable yield;
- investments should be undertaken only in situations where we have surplus cash not required for day to day operations in the next one to three months.

Our finance department is responsible for the initial assessment and analysis on the expected benefit and potential risk of our investment activities and compiling of relevant data and information from banks or other sources such as term sheets, expert opinions and analyst reports for the management's reference. Our investment decisions are made on a case by case basis and after due and careful consideration of a number of factors, including but not limited to the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. As part of our risk control measures for our investment activities, we have only had financial assets which included equity securities of blue chips companies listed in Hong Kong and the Key Man Insurance during the Track Record Period. We do not have a formal policy for the specific criteria for the selection of counterparty for our investment activities. Nonetheless, the equity securities listed in Hong Kong which we purchased are blue chip stocks listed in Hong Kong and the Key Man Insurance was purchased from a reputable financial institution. Approval from our finance director, Ms. Chan Mei Hing, Aurora, and one of the other Directors must be obtained before the execution or disposal of any investment. Our finance department is also responsible for reporting the status of our investment activities to the Directors during Board meetings. The report should include the total investment return, compare the return with original expectations and summarize all investment transactions during the relevant period. After Listing, our Board will require our internal audit personnel to submit a report to our Board on a regular basis to report whether our investment activities follow this policy, and will require the audit committee to make recommendations to our Board for approval of any amendments it considers appropriate to this policy.

Our finance director, Ms. Chan Mei Hing, Aurora, who was responsible for the review, approval and monitoring of our investments activities, has approximately 16 years of experience in auditing, corporate financial planning and treasury management. Ms. Chan monitors daily cash flow and budgets which consist of cash positions, interest rates, payables, receivables and foreign exchange rates. Ms. Chan's cash and treasury management experience also involved working closely with bankers, evaluating appropriate financial asset investment opportunities, making investment decisions and monitoring the performance of financial asset investments. Since 2007, Ms. Chan has been responsible for the initial assessment and analysis on our investment activities. During the Track Record Period, Ms. Chan had also attended courses in relation to financial reporting, business assurance and how to evaluate appropriate financial asset, investment

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opportunities, investment risks and problems and to leverage on investment management skills. Please refer to the section headed “Directors and Senior Management” for details of the qualifications of our finance director.

### *Key Man Insurance*

Our Key Man Insurance is underwritten by a group insurance company of a reputable financial institution which is rated AA-<sup>Note</sup>. At the time when we purchased the Key Man Insurance, we did not approach other banks for other insurance policies options and fee quotes and we selected such reputable financial institution considering its strong rating. This policy is intended to compensate our business for any financial losses that may result from the loss of the service of our key employees specified in the policy in case of death and facilitate business continuity. The underlying investment portfolio of such policy consists of a well-diversified portfolio of high-quality bond investment across different regions and sectors around the world with an average grading of AA as at 31 December 2013 and an average portfolio duration of over 40 years. The policy expires on the earlier of the key management’s death and attaining the age of 120 and the rate of return for such policy ranges from 3.90% to 4.75% per annum. The net gains on investing in such Key Man Insurance accounted for approximately HK\$4.0 million, HK\$5.0 million, HK\$5.2 million and HK\$2.7 million for each of the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015.

*Note:* An issuer rated “AA-” by Standard and Poor’s means very strong capacity to meet financial commitments.

### **Derivative financial instruments**

Our realised and unrealised gains/(losses) from derivative financial instruments during the Track Record Period are set out below:

	Year ended 31 March			Six months ended 30 September
	2013	2014	2015	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Realised and unrealised gains/(losses) from derivative financial instruments	14,007	(49,884)	26,475	(12,316)

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During the Track Record Period, we generated over 90% of our revenue and trade receivables in US dollars, while over 30% of our costs (including cost of sales, selling and distribution expenses and general and administrative expenses) are denominated in RMB. So as to better manage our foreign currency exposures during the Track Record Period, we had the following three types of derivative financial instruments:

- (a) Option forward foreign currency contracts where we could exchange US\$ for RMB or vice versa at a pre-specified rate;
- (b) US\$/RMB forward foreign currency contracts where we would pay a notional principal amount of US\$ in exchange for a specified amount of RMB; and
- (c) US\$/HK\$ forward foreign currency contracts where we would pay a notional principal amount of US\$ in exchange for a specified amount of HK\$.

**(a) *Option forward foreign currency contracts***

During the term of each option forward foreign currency contract, we are permitted to exchange US\$ for RMB or vice versa at a pre-specified rate.

- (i) For the year ended 31 March 2013, we entered into 15 contracts, with an exercisable period ranging from 1 day to 3 months. The exercisable period of these contracts commenced on different dates between 1 August 2012 and 4 March 2014. The maturity/ expiry date ranged from 1 November 2012 to 4 June 2014. We exchanged US\$ at the aggregate amount of US\$22,000,000 for RMB at the aggregate amount of RMB139,094,200.
- (ii) For the year ended 31 March 2014, we entered into 37 contracts, with an exercisable period ranging from 1 day to 3 months. The exercisable period of these contracts commenced on different dates between 27 January 2014 and 16 March 2015. The maturity/ expiry date ranged from 27 January 2014 to 16 June 2015. We exchanged US\$ at the aggregate amount of US\$136,000,000 to RMB at the aggregate amount of RMB841,898,600. We also exchanged RMB at the aggregate amount of RMB235,229,000 for US\$ at the aggregate amount of US\$38,028,309.
- (iii) For the year ended 31 March 2015, we entered into 7 contracts, with an exercisable period of 1 day to 3 months. The exercisable period of these contracts commenced on different dates between 9 June 2014 and 10 November 2014. The maturity/ expiry date ranged from 16 June 2014 to 9 February 2015. We exchanged RMB at the aggregate amount of RMB251,046,000 for US\$ at the aggregate amount of US\$40,014,713.

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### *Contracts outstanding as at 31 March 2015*

The following optional forward foreign currency contracts were outstanding as at 31 March 2015:

No.	Contract Date	Start Date	Maturity/ Expiry Date <sup>(1)</sup>	Term	Contracted Transaction
1.	16 January 2014	17 February 2015	15 May 2015	Three months	Exchange US\$6.0 million for RMB36,480,000
2.	16 January 2014	16 March 2015	16 June 2015	Three months	Exchange US\$6.0 million for RMB36,492,000
3.	16 January 2014	16 January 2015	16 April 2015	Three months	Exchange US\$6.0 million for RMB36,474,000
4.	31 March 2014	16 January 2015	16 April 2015	Three months	Exchange RMB36,474,000 for US\$6.0 million

*Notes:*

(1) Final settlement dates varied subject to the terms of the contract.

### **(b) *US\$/RMB forward foreign currency contracts***

On the fixing date, if the RMB spot rate is at or above a specified rate, we would pay the bank nominal amount of US dollars in exchange for the specified amount of RMB in the contract.

- (i) As at 31 March 2013, there were 7 contracts terminated/ended, with an exercisable period ranging from 22 to 24 settlements (approximately once a month). The exercisable period of these contracts commenced on different dates between 22 June 2010 and 20 September 2011. The maturity/expiry date ranged from 5 April 2012 to 13 June 2013. The nominal amount of US\$ we paid the bank during that financial year in exchange for the specified amount of RMB for these contracts was at an aggregate amount of US\$77.2 million. The forward rate and the specified rate ranged from 6.5 to 6.85 and 6.25 to 6.90 respectively.
- (ii) As at 31 March 2014, there were 20 contracts terminated/ended, with an exercisable period ranging from 15 to 25 settlements (approximately once a month). The exercisable period of these contracts commenced on different dates between 21 July 2011 and 23 September 2013. The maturity/expiry date ranged from 24 June 2013 to 21 August 2015. The nominal amount of US\$ we paid the bank in exchange for the specified amount of RMB for these contracts was at an aggregate amount of US\$146.4 million. The forward rate and the specified rate ranged from 6.24 to 6.60 and 6.30 to 6.55 respectively.

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### *Contracts outstanding as at 31 March 2015*

The following US\$/RMB forward foreign currency contracts were outstanding as at 31 March 2015:

No.	Contract Date	Maturity Date <sup>(1)</sup>	Term	Nominal Amount	Forward Rate	Specified Rate
1.	22 October 2013	26 October 2015	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.187	6.250
2.	22 October 2013	22 October 2015	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.180	6.270
3.	6 November 2013	6 November 2015	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.180 (for the first 12 months); and 6.150 (for the remaining 12 months)	6.270
4.	7 November 2013	6 November 2015	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.180 (for the first 12 months); and 6.150 (for the remaining 12 months)	6.270
5.	3 January 2014	31 December 2015	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.110	6.210
6.	3 January 2014	31 December 2015	24 settlements, approximately once a month (unwound in August 2015)	US\$2.0 million	6.110	6.210
7.	6 January 2014	8 January 2016	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.105	6.180
8.	6 January 2014	8 January 2016	24 settlements, approximately once a month (unwound in September 2015)	US\$4.0 million	6.110	6.160
9.	16 January 2014	21 January 2016	24 settlements, approximately once a month (unwound in August 2015)	US\$2.0 million	6.105	6.160
10.	19 February 2014	22 February 2016	24 settlements, approximately once a month (unwound in September 2015)	US\$2.0 million	6.113	6.180

*Note:*

(1) Final settlement dates varied subject to the terms of the contract.



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**(c) *US\$/HK\$ forward foreign currency contracts***

Similar to our US\$/RMB forward foreign currency contracts as set out in (b) above, on the fixing date, if the HK\$ spot rate is at or above a specified rate, we would pay the bank the nominal amount of US dollars in exchange for the specified amount of HK dollars in the contract.

As at 31 March 2013 and 31 March 2014, there were two contracts outstanding, with an exercisable period of 13 and 24 settlements (approximately once a month) respectively. The maturity/expiry dates were 8 May 2014 and 7 August 2014. The nominal amount of US\$ that we paid during the financial years ended 31 March 2013 and 2014 to the bank in exchange for the specified amount of HK dollars for these contracts was at an aggregate amount of US\$16.0 million and US\$44.0 million respectively. The forward rate was 7.735 and 7.730 respectively. These contracts had expired as at 31 March 2015.

As at 31 March 2013, 2014 and 2015, the notional principal amounts of the outstanding contracts underlying the derivative financial assets were approximately HK\$95.8 million, HK\$591.5 million and nil. As at 31 March 2013, 2014 and 2015, the notional principal amounts of the outstanding contracts underlying the derivative financial liabilities were approximately HK\$497.6 million, HK\$684.6 million and HK\$264.5 million. Due to the depreciation of RMB against the US dollar by almost 2% by the People's Bank of China's in early August 2015, we had closely monitored our outstanding forward foreign currency contracts and decided to unwind all of our outstanding forward foreign currency contracts so as to crystallise our exposures and avoid the risk of potential additional losses. By 30 September 2015, we had settled or unwound all of our outstanding forward foreign currency contracts. For the six months ended 30 September 2015, the net realised losses from these outstanding forward foreign currency contracts were approximately HK\$12.3 million. As at the Latest Practicable Date, there were no outstanding forward foreign currency contracts.

Save for the above-mentioned derivative financial instruments, we have not entered into any other agreement or contract for hedging purpose during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that for the period from the Latest Practicable Date up to 31 March 2016, we do not expect to enter into any derivative financial instruments as there would be no need to do so given that no material fluctuations are expected for this period and hence we do not expect a material adverse mismatch of revenue and costs. Going forward, even though we have a currency mismatch given that our revenue is in US\$ and our costs are predominately in RMB, it was important to hedge this in the past so as to ensure the adverse impact on our profit margins due to currency exposure fluctuations may be mitigated. All things being equal, where the RMB is depreciating relative to the US\$, there is no need to hedge our exposure to cost increases due solely to the relative values of US\$ to RMB. If, however, there is any further material appreciation in RMB (which represents the currency in which most of our costs are denominated) relative to US\$ (which represents the currency in which most of our revenue is denominated), we would discuss with external financial advisers what is available in the market by way of hedging instruments, their cost and then our Board will determine by reference to our foreign exchange management policy as discussed below, whether and to what extent we should

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adopt derivative financial instruments and monitor them in line with our aforesaid foreign exchange management policy. Pursuant to our foreign exchange management policy, our finance department monitors and manages our foreign exchange exposure. In view of the foreign exchange currency exposure of our Group, we entered into the aforesaid derivative financial instruments to better manage our foreign exchange exposures given that over 90% of our revenue and our trade receivables are in US\$ and over 30% of our cost (including cost of sales, selling and distribution expenses and general and administrative expenses) are denominated in RMB. The purchase of such derivative financial instruments are intended to mitigate our currency exchange risk exposure and are not intended to be speculative. We do not hedge more than 100% of our total revenue and ordinary production costs, mainly including raw material costs and labour costs. Given that the overall trend for RMB/US\$ exchange rate in the last ten years since January 2006 has been appreciating, it was reasonable for us to purchase as much RMB so long as we did not hedge more than 100% of our revenue and production costs. The depreciation in RMB against the US\$ only began in 2014, with a significant unexpected devaluation in August 2015. The amount and duration of each hedging arrangement is made on a case by case basis after taking into consideration of a number of factors, including but not limited to the level of risk exposure, whether the RMB is expected to depreciate or appreciate against the US\$, the potential benefit and loss of the hedging instrument and the purchase cost of the hedging instruments. During the Track Record Period, we did not maintain a stop-loss policy with respect to our investments in financial assets. Our finance director, Ms. Chan Mei Hing, Aurora monitors the performance of our investments on a regular basis. While we did not set a specific quantitative stop-loss benchmark, we maintained the ability to redeem all or part of our investments in financial assets based on a number of factors, including, among others, prevalent market conditions, performance of the underlying investments and our expectation of realizing an investment gain or avoiding a loss. Consequently, by closely monitoring our positions, we believe a stop-loss benchmark was not necessary.

Our current foreign exchange management policy also involves, among other things, (i) purchasing of foreign exchange forward contracts and foreign exchange option contracts, whereby all foreign exchange hedging contracts are transacted only with authorised financial institutions in Hong Kong and undertaken only in situations where we have surplus cash not required for day to day operations in the next one to three month; (ii) compiling historical foreign exchange rates and forward exchange rates data from banks by our finance department for the management's reference; and (iii) compiling estimates of our projected costs in RMB. Our current policy also incorporates the risk control measures which we adopted before the Track Record Period and includes, among other things, (i) closely monitoring the exchange rate fluctuations on a daily basis by collating the prevailing market information from different sources by our finance department such as indicative rates. From time to time, we also obtain market research reports from financial institutions; (ii) obtaining and comparing quotations for hedging financial instruments from not less than three major financial institutions and transacting any suitable hedging financial instrument with a financial institution or several financial institutions on a case by case basis; (iii) setting the requirement to seek the approval from our finance director, Ms. Chan Mei Hing, Aurora, together with one of the other authorised signatory, i.e. Mr. Wong Ting Chung, our chairman, chief executive officer and an executive Director, before the execution of any forward foreign exchange contracts; (iv) where any position is expected to result in a loss, to monitor the loss on a daily basis

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by our finance director Ms. Chan Mei Hing, Aurora, and convene a board meeting as soon as practicable (with at least one executive Director attending) during which the Directors will decide whether or not to cut our losses; (v) conducting semi-annual review by our Board on our foreign exchange risk exposure in light of the prevailing market situation and assessment on whether any foreign currency contract is desirable in the market; and (vi) requiring our finance department to provide report to the Directors on the status of such contracts during the board meetings which were conducted quarterly. After Listing, our audit committee is required to make recommendations to our Board for its approval of any amendments if considers appropriate to our current policy.

Our finance director, Ms. Chan Mei Hing, Aurora, who is responsible for the review and monitoring of our foreign currency exposure and positions in currency forward contracts, has approximately 16 years of experience in auditing, corporate financial planning and treasury management. For details of her background and experience in such derivative financial instruments, please refer to the section headed “Financial Information — Certain Items of Combined Balance Sheet — Available-for-sale financial assets” in this prospectus.

The Sole Sponsor has reviewed our foreign exchange management policy as to whether it is sufficient and effective. The Sole Sponsor is of the view that this is a reasonable policy and given that there is financially qualified persons with experience in derivatives involved in the monitoring and implementation of the policy and management has taken on board how to better assess risks in light of recent losses in our foreign currency contracts, it believes that the policy is sufficient and effective. As with all policies, there is no assurance that it will be effective in all circumstances but is a reasonable approach to mitigate such risks.

The Directors note that for the Track Record Period, the financial results in respect of these derivative financial instruments were not consistent. For two of the financial years in the Track Record Period, we made profits and for one of the financial years we made losses. For the year ended 31 March 2014, we recorded a loss of approximately HK\$49.9 million from derivative financial instruments and the extent of these losses are attributable to a depreciation in the RMB in early 2014. Such loss comprised a net realised gain of approximately HK\$34.4 million and an unrealised loss of approximately HK\$84.3 million. The net realised gain was recognised from the settlement of certain derivative financial instruments during the year ended 31 March 2014. The unrealised loss of approximately HK\$84.3 million was a mark-to-market valuation of the outstanding derivative financial instruments as at 31 March 2014. Given that RMB started to depreciate in early of 2014, the outstanding derivative financial instruments were measured at their fair values as at 31 March 2014 which were substantially lower than their respective fair values recognised as at 31 March 2013. Such changes in the fair values of derivative financial instruments did not qualify for hedging accounting and were therefore immediately recognised in our combined income statements as an unrealised loss. Accordingly, such amount of unrealised loss and the net realised gains resulted in a loss of approximately HK\$49.9 million for the year ended 31 March 2014. For the related risks, please refer to the section headed “Risk Factors — Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations and adverse determinations by tax authorities in the various jurisdictions where we operate” in this prospectus.

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The cumulative net realised and unrealised losses from derivative financial instruments for the Track Record Period were approximately HK\$21.7 million. Consequently, our Directors and Sole Sponsor are of the view that in certain financial periods during the Track Record Period, the arrangements were effective and adequate and in some other financial periods, they were not. However, given that the net realised and unrealised losses from derivative financial instruments for the Track Record Period of HK\$21.7 million represented only about 2.1% of our cumulative net profit for the Track Record Period, our Directors consider this outcome acceptable. In order to strengthen our arrangement for mitigating our foreign exchange risk exposure, going forward, our internal audit personnel is required to submit a report to our Board on a regular basis to report whether our arrangement are consistent with our current policy.

The derivative financial instruments that we entered into were not qualified as hedging instruments in hedge relationships as defined by HKAS 39. Accordingly, changes in the fair value of these derivative instruments are recognised in our combined income statements.

### **Balances due to/from related parties**

#### *Amounts due from shareholders*

Our amounts due from shareholders represented the net balance of the Group's unsecured, interest free and repayable on demand advances from/to our Controlling Shareholders and dividends declared to our Controlling Shareholders. Our net balance of amounts due from shareholders increased from approximately HK\$220.4 million as at 31 March 2013 to approximately HK\$335.5 million as at 31 March 2014 and further increased to approximately HK\$366.1 million as at 31 March 2015 and then to approximately HK\$472.7 million as at 30 September 2015 primarily due to an increase in advances to our Controlling Shareholders. All of the outstanding balances of amounts due from shareholders are expected to be settled before Listing.

#### *Amounts due from/to related companies*

Our amounts due from/to related companies represented temporary advances due to or from related companies, which were unsecured, interest free and repayable on demand for their general financing needs. The amounts due from related companies increased from approximately HK\$18.3 million as at 31 March 2013 to approximately HK\$18.8 million as at 31 March 2014 primarily due to the increased temporary advances to certain related companies for their general financing needs. The amounts due from related companies decreased from approximately HK\$18.8 million as at 31 March 2014 to approximately HK\$11.3 million as at 31 March 2015, primarily due to repayment by certain related companies. Such amount was increased to approximately HK\$93.3 million as at 30 September 2015 primarily due to the increased temporary advances to certain related companies for their general financing needs. All of the outstanding balances of the amounts due from related companies are expected to be settled before Listing.

The amount due to a related company decreased from approximately HK\$47.7 million as at 31 March 2013 to approximately HK\$35.9 million as at 31 March 2014 primarily due to a reduction in temporary advances from a related company for our general financing needs. There were no such balances as at 31 March 2015 and as at 30 September 2015.

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## FINANCIAL INFORMATION

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Our Directors confirm that the related party transactions were entered into in the ordinary course of business between our Group and its related parties and did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period. For details of the related party transactions, please refer to the Accountant's Report in Appendix I in this prospectus.

### **Settlement of the amounts due from shareholders and related companies**

The outstanding balances of the amounts due from shareholders and related companies of the Group amounted to HK\$566,002,000 as at 30 September 2015. Conditional upon the Stock Exchange granting an in-principle approval for the Listing and the Board proceeding with the Listing, part of these balances have been settled by way of (i) special dividends of HK\$442,000,000 declared by Nameson Group to the relevant parties; and (ii) return of shareholder's contribution (which is accounted as equity) of HK\$100,000,000. Such special dividends and return of shareholder's contribution will be accounted for in the financial statements for the year ending 31 March 2016. The impact of the special dividends and return of shareholder's contribution has been included in our Group's pro forma net tangible assets as set out under the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus. No adjustment has been made to reflect other movement on the outstanding balances subsequent to 30 September 2015.

## FINANCIAL INFORMATION

### INDEBTEDNESS

#### Borrowings

The following table sets out the breakdown of our borrowings during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current</b>				
Bank borrowings	—	30,000	57,520	100,006
Finance lease obligations	27,456	3,828	85,196	70,800
	<u>27,456</u>	<u>33,828</u>	<u>142,716</u>	<u>170,806</u>
<b>Current</b>				
Short-term bank borrowings	456,738	532,157	278,278	499,496
Portion of long-term bank borrowings, due for repayment within one year	73,237	85,762	170,205	271,923
Portion of long-term bank borrowings, due for repayment after one year which contain a repayment on demand clause ( <i>Note</i> )	106,953	45,520	296,406	254,941
Portion of finance lease obligations due for repayment within one year	81,302	27,632	19,775	16,349
Portion of finance lease obligations due for repayment after one year which contain a repayment on demand clause ( <i>Note</i> )	3,797	—	—	—
	<u>722,027</u>	<u>691,071</u>	<u>764,664</u>	<u>1,042,709</u>
<b>Total borrowings</b>	<u>749,483</u>	<u>724,899</u>	<u>907,380</u>	<u>1,213,515</u>

*Note:* These amounts represent balances that are repayable at any time at the discretion of the lender in accordance to the respective facilities and are therefore classified as current liabilities.

## FINANCIAL INFORMATION

The following table sets out the weighted average interest rates of our bank borrowings and finance lease obligations as at the respective dates during the Track Record Period.

	As at 31 March			As at 30 September
	2013	2014	2015	2015
Finance lease obligations	2.48%	1.25%	1.63%	1.70%
Bank borrowings	<u>2.64%</u>	<u>2.50%</u>	<u>2.94%</u>	<u>3.22%</u>

### *Bank borrowings*

The following table sets out the maturity profile of our bank borrowings as at the respective dates during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	529,975	617,919	448,483	771,419
Between one and two years	61,570	52,642	150,554	152,584
Between two and five years	<u>45,383</u>	<u>22,878</u>	<u>203,372</u>	<u>202,363</u>
	<u>636,928</u>	<u>693,439</u>	<u>802,409</u>	<u>1,126,366</u>

The following table sets out the currency in which our borrowings were made during the Track Record Period:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	368,502	369,000	566,818	806,235
US\$	268,426	318,268	232,167	304,935
RMB	—	—	—	12,048
JPY	<u>—</u>	<u>6,171</u>	<u>3,424</u>	<u>3,148</u>
	<u>636,928</u>	<u>693,439</u>	<u>802,409</u>	<u>1,126,366</u>

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## FINANCIAL INFORMATION

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Our total outstanding bank borrowings amounted to HK\$636.9 million, HK\$693.4 million, HK\$802.4 million and HK\$1,126.4 million respectively as at 31 March 2013, 2014 and 2015 and 30 September 2015. Our bank borrowings increased during the Track Record Period primarily due to the financing of our Vietnam Factory. During the Track Record Period, most of our bank borrowings were due within one year after the respective drawdown dates.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, certain borrowings are secured by (i) land use right amounting to HK\$19,303,000, HK\$18,811,000, HK\$18,319,000 and HK\$17,420,000; (ii) land and buildings and leasehold improvements with carrying amounts of HK\$307,370,000, HK\$295,915,000, HK\$276,426,000 and HK\$256,714,000; (iii) pledged deposits amounting to HK\$7,875,000, HK\$8,069,000, HK\$8,242,000 and nil (as the relevant bank loan was repaid); and (iv) corporate guarantees provided by some of the subsidiaries and personal guarantees from the Directors. The personal guarantees provided by our Directors will be released upon Listing.

Under the terms of our bank loan agreements, we are typically required to use the bank loans only for the purposes for which they were granted, and we are obliged to provide the lending banks, on a regular (i.e., annual) basis our financial statements and allow them to access information regarding our application for other bank loans, financial activities and business operations from time to time. The terms of our bank loans typically range from within one year to five years. Some of our bank loan agreements contain cross default clauses. If any material cross default occurs, these banks are entitled to stop issuing loans, or accelerate payment of all or any part of the indebtedness owing under all the loan agreements, or terminate the bank loan agreements. In addition, certain of our bank borrowings are subject to a number of customary restrictive covenants including, e.g., covenants that our relevant operating subsidiaries in Hong Kong and the PRC may not enter into any merger, joint venture or restructuring, or change their shareholding without prior written consent of the banks; or requirements in respect of capital adequacy, financial ratios, level of assets and indebtedness of our operating subsidiaries in Hong Kong and the PRC and the guarantors. Our Directors have confirmed that they are not aware of any material breach, during the Track Record Period and up to the Latest Practicable Date, of any of the restrictive covenants contained in our bank borrowings and save as disclosed above, our bank borrowing agreements do not contain any material terms or covenants that may have any material adverse effect or restriction on us to make further borrowings or our ability to issue debt or equity securities in the future.



## FINANCIAL INFORMATION

### *Finance lease obligations*

The following table sets out the breakdown of our obligations under finance leases during the Track Record Period:

	As at 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
<b>Current</b>				
Portion of finance lease obligations due for repayment within one year	81,302	27,632	19,775	16,349
Portion of finance lease obligations due for repayment after one year which contain a repayment on demand clause	3,797	—	—	—
	<u>85,099</u>	<u>27,632</u>	<u>19,775</u>	<u>16,349</u>
<b>Non-current</b>				
Finance lease obligations due for repayment after one year:				
Between one and two years	23,643	3,828	16,233	32,924
Between two and five years	3,813	—	68,963	37,876
	<u>27,456</u>	<u>3,828</u>	<u>85,196</u>	<u>70,800</u>

Our finance lease obligations primarily related to finance leases to purchase equipment and machinery for the production of our products. Our total finance lease obligations amounted to approximately HK\$112.6 million, HK\$31.5 million, HK\$105.0 million and HK\$87.1 million respectively as at 31 March 2013, 2014 and 2015 and 30 September 2015. The decrease in 2014 was primarily because we have substantially paid off our finance leases entered in 2009 in relation to the upgrade of equipment and machineries for our PRC Factory. The increase in 2015 was primarily due to new finance leases for the purchase of equipment and machineries for our Vietnam Factory. As we have gradually paid off part of such new finance leases, our finance lease obligations decreased as at 30 September 2015 accordingly.

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## FINANCIAL INFORMATION

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### STATEMENT OF INDEBTEDNESS

As at 31 January 2016, being the date for determining the Group's indebtedness, we had a total indebtedness of approximately HK\$970.1 million, representing interest-bearing bank borrowings of approximately HK\$879.6 million and interest-bearing obligations under finance leases of approximately HK\$90.5 million. The weighted average interest rates of our bank borrowings and finance lease obligations for the ten months ended 31 January 2016 was 2.8% and 1.7% per annum respectively. The maturity profile of our bank borrowings as at 31 January 2016 was as follows:

	<b>31 January 2016</b>
	<b>HK\$'000</b>
Within one year	568,579
Between one and two years	172,597
Between two and five years	<u>228,958</u>
	<u><u>970,134</u></u>

Save as the bank borrowings secured by (i) land with carrying amount of HK\$17.3 million as at 31 January 2016; (ii) land and buildings and leasehold improvements with carrying amounts of HK\$250.2 million; and (iii) corporate guarantees provided by some of the subsidiaries and personal guarantees from the Directors, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 31 January 2016, being the latest practicable date for our indebtedness statement. The personal guarantees provided by our Directors or Controlling Shareholders will be released upon Listing. Our unutilised bank facilities as at 31 January 2016 was approximately HK\$1,090.4 million. Since 31 January 2016 and up to the date of this prospectus, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that our Company does not have any external financing plans as at the Latest Practicable Date.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

The table below sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 March			As at 30 September	As at 31 January
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
<b>Current assets</b>					
Inventories	511,119	537,232	475,821	350,271	268,671
Trade receivables	56,070	47,727	38,697	319,422	139,937
Prepayments, deposits, other receivables and other assets	56,257	41,448	34,991	88,068	41,040
Amounts due from related companies	18,278	18,782	11,307	93,266	91,974
Amounts due from shareholders	220,396	335,512	366,128	472,736	436,827
Derivative financial instruments	5,447	3,030	—	—	—
Current income tax recoverable	3,640	4,715	18	—	28
Pledged bank deposits	7,875	8,069	8,242	—	—
Short-term bank deposits	1,272	1,306	—	—	—
Cash and cash equivalents	258,323	305,887	333,740	381,410	456,533
	<u>1,138,677</u>	<u>1,303,708</u>	<u>1,268,944</u>	<u>1,705,173</u>	<u>1,435,010</u>
<b>Current liabilities</b>					
Trade and bills payables	156,619	130,816	141,002	179,166	115,119
Accruals and other payables	113,053	84,246	85,590	119,759	114,827
Current income tax liabilities	42,196	56,134	87,252	108,844	88,650
Borrowings	722,027	691,071	764,664	1,042,709	793,233
Derivative financial instruments	2,711	53,941	41,618	—	—
Amount due to a related company	47,720	35,875	—	—	—
	<u>1,084,326</u>	<u>1,052,083</u>	<u>1,120,126</u>	<u>1,450,478</u>	<u>1,111,829</u>
<b>Net current assets</b>	<u>54,351</u>	<u>251,625</u>	<u>148,818</u>	<u>254,695</u>	<u>323,181</u>

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## FINANCIAL INFORMATION

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### LIQUIDITY AND CAPITAL MANAGEMENT

#### Overview

We have historically financed our operations through bank borrowings and internal resources. As of 31 January 2016, we had cash and cash equivalents of HK\$456.5 million to fund our future working capital, capital expenditure and other cash requirements.

Our future cash requirements will depend on many factors, including our operating income and capital expenditures on the expansion of our Vietnam Factory. Our current debt may reduce our liquidity and place some limitations on our ability to fund capital expenditures to support our expansion. Following completion of the Global Offering, we expect to fund our future working capital, capital expenditure and other cash requirements from bank or other borrowings, our internal resources and the estimated net proceeds from the Global Offering. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. We did not experience any liquidity shortage during the Track Record Period.

#### Working Capital Sufficiency

After taking into consideration the financial resources available to our Group, including our available banking facilities, cash and cash equivalents on hand, operating cash flows and the estimated net proceeds from the Global Offering, and in the absence of unforeseeable circumstances, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

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## FINANCIAL INFORMATION

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### CASH FLOW

The following table sets out a summary of our combined cash flows for the periods indicated:

	Year ended 31 March			Six months ended 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	563,817	431,224	511,441	80,937
Net cash used in investing activities	(376,614)	(147,592)	(204,619)	(216,519)
Net cash (used in)/generated from financing activities	<u>(103,378)</u>	<u>(236,429)</u>	<u>(280,394)</u>	<u>186,135</u>
Net increase in cash and cash equivalents	83,825	47,203	26,428	50,553
Cash and cash equivalents at beginning of the year/period	174,435	258,323	305,887	333,740
Exchange difference on cash and cash equivalents	<u>63</u>	<u>361</u>	<u>1,425</u>	<u>(2,883)</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<u><u>258,323</u></u>	<u><u>305,887</u></u>	<u><u>333,740</u></u>	<u><u>381,410</u></u>

#### Net cash generated from operating activities

Our cash inflow from operating activities primarily consisted of receipts in respect of the sales of our knitwear products. Our cash outflow from operating activities primarily consisted of payments for purchases of raw materials, subcontracting charges, labour costs, selling and distribution expenses, general and administrative expenses and other operating expenses.

For the six months ended 30 September 2015, we recorded net cash generated from operating activities of approximately HK\$80.9 million, primarily reflecting our profit before tax of approximately HK\$180.5 million, which was adjusted for depreciation of property, plant and equipment of approximately HK\$86.8 million and fair value gains on derivative financial instruments of approximately HK\$41.6 million, net finance expenses of approximately HK\$15.3 million and a net cash inflow in our working capital. The net cash inflow in our working capital was primarily due to a decrease in our inventories of approximately HK\$128.3 million, an increase in our trade receivable of approximately HK\$280.7 million, an increase in accruals and other payables of approximately HK\$34.5 million, an increase in trade and bills payables of approximately HK\$38.2 million, and an increase in prepayments, deposits, other receivables and other assets of approximately HK\$54.2 million.

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For the year ended 31 March 2015, we recorded net cash generated from operating activities of approximately HK\$511.4 million, primarily reflecting our profit before tax of approximately HK\$313.9 million, which was adjusted for depreciation of property, plant and equipment of approximately HK\$173.3 million and fair value gains on derivative financial instruments of approximately HK\$41.4 million, net finance expenses of approximately HK\$20.2 million and a net cash inflow in our working capital. The net cash inflow in our working capital was primarily due to a decrease in our inventories of approximately HK\$51.5 million.

For the year ended 31 March 2014, we recorded net cash generated from operating activities of approximately HK\$431.2 million, primarily reflecting our profit before tax of approximately HK\$246.1 million, which was adjusted for depreciation of property, plant and equipment of approximately HK\$173.5 million and fair value losses on derivative financial instruments of approximately HK\$84.3 million, net finance expenses of approximately HK\$15.9 million and a net cash outflow in our working capital. The net cash outflow in our working capital was primarily due to an increase in our inventories of approximately HK\$34.9 million, a decrease in accruals and other payables of approximately HK\$35.3 million, a decrease in trade and bills payables of approximately HK\$25.8 million, and a decrease in prepayments, deposits, other receivables and other assets of approximately HK\$19.7 million.

For the year ended 31 March 2013, we recorded net cash generated from operating activities of approximately HK\$563.8 million, primarily reflecting our profit before tax of approximately HK\$414.5 million, which was adjusted for depreciation of property, plant and equipment of approximately HK\$171.2 million, net finance expenses of approximately HK\$18.9 million, and a net cash inflow in our working capital. The net cash inflow in our working capital was primarily due to a decrease in prepayments, deposits, other receivables and other assets of approximately HK\$47.2 million and an increase in accruals and other payables of approximately HK\$30.0 million, partially offset by an increase in our inventories of approximately HK\$50.0 million.

### **Net cash used in investing activities**

Our cash inflow from investing activities primarily consisted of proceeds from disposal of property, plant and equipment, disposal of available-for-sale financial assets and interest received. Our cash outflow in investing activities primarily consisted of the purchase of property, plant and equipment, purchase of leasehold land and land use rights, purchase of available-for-sale financial assets, payment balances with related companies and increase in amount due from a shareholder.

For the six months ended 30 September 2015, our net cash used in investing activities was approximately HK\$216.5 million, primarily as a result of the combined effect of an increase in the amounts due from related companies of approximately HK\$82.0 million and an increase in the amounts due from Shareholders of approximately HK\$117.3 million.

For the year ended 31 March 2015, our net cash used in investing activities was approximately HK\$204.6 million, primarily as a result of the combined effect of (i) purchase of property, plant and equipment of approximately HK\$221.5 million in relation to our Vietnam Factory, (ii) purchase of available-for-sale financial assets of approximately HK\$63.0 million mainly in relation to our

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Key Man Insurance, (iii) purchase of leasehold land and land use right of approximately HK\$31.0 million in relation to our Vietnam Factory, and (iv) a decrease in the amounts due from Shareholders of approximately HK\$69.4 million.

For the year ended 31 March 2014, we recorded net cash used in investing activities of approximately HK\$147.6 million, primarily as a result of the combined effect of (i) purchase of property, plant and equipment of approximately HK\$36.8 million in relation to our PRC Factory and (ii) an increase in the amounts due from Shareholders of approximately HK\$115.1 million.

For the year ended 31 March 2013, our net cash used in investing activities was approximately HK\$376.6 million, primarily as a result of the combined effect of (i) an increase in the amount due from Shareholders of approximately HK\$480.3 million, and (ii) a decrease in amounts due from related companies of approximately HK\$74.2 million.

### **Net cash (used in)/generated from financing activities**

Our cash inflow from financing activities primarily consisted of proceeds from bank borrowings. Our cash outflow in financing activities primarily consisted of repayment of bank borrowings and payment of dividends.

For the six months ended 30 September 2015, our net cash generated from financing activities was approximately HK\$186.1 million, primarily as a combined effect of a repayment of bank borrowings of approximately HK\$1,048.0 million and dividends declared in the amount of approximately HK\$120.0 million offset by the proceeds from new borrowings of approximately HK\$1,372.0 million.

For the year ended 31 March 2015, our net cash used in financing activities of approximately HK\$280.4 million, primarily as a combined effect of a repayment of bank borrowings of approximately HK\$2,155.1 million and dividends paid in the amount of approximately HK\$427.0 million offset by the proceeds from new borrowings of approximately HK\$2,365.3 million.

For the year ended 31 March 2014, our net cash used in financing activities was approximately HK\$236.4 million, primarily as a combined effect of a repayment of bank borrowings of approximately HK\$2,222.4 million and dividends paid in the amounts of approximately HK\$200.0 million, offset by proceeds from new borrowings of approximately HK\$2,278.9 million.

For the year ended 31 March 2013, our net cash used in financing activities was approximately HK\$103.4 million, primarily as a combined effect of a repayment of bank borrowings of approximately HK\$1,620.1 million and dividends paid in the amounts of approximately HK\$200.0 million, offset by proceeds from new borrowings of approximately HK\$1,826.5 million.

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### CAPITAL EXPENDITURE

Our capital expenditures consist primarily of maintaining our existing production facilities and machinery and construction of our new production facilities and purchases of new machinery. Capital expenditures for the years ended 31 March 2013 and 2014 were HK\$35.2 million and HK\$34.2 million respectively primarily related to purchases of machinery for our PRC Factory. Capital expenditures for the year ended 31 March 2015 and the six months ended 30 September 2015 were HK\$250.3 million and HK\$27.5 million respectively primarily related to the land use rights, construction of our Vietnam Factory and purchases of machinery for our PRC Factory and our Vietnam Factory. We financed our capital expenditures primarily through our bank and other borrowings and cash generated from our operating activities.

We expect to incur a total of approximately HK\$141.0 million and HK\$381.2 million as capital expenditures for the year ending 31 March 2016 and 2017 respectively, primarily for the construction and purchases of machinery of second phase of our Vietnam Factory. Please refer to the sub-section headed “Business — Our Strategies — We intend to expand our production capacity and our operations geographically” of this prospectus for further details. The table below sets out the details of our capital expenditures to be incurred for the year ending 31 March 2016 and 2017:

<u>Expected use</u>	<u>Estimated cost for the year ending 31 March 2016</u>	<u>Estimated cost for the year ending 31 March 2017</u>
	HK\$'000	HK\$'000
Construction of the second phase of our Vietnam Factory	140,950.0	140,950.0
Acquisition of machinery for the second phase of our Vietnam Factory	—	218,100.0
Enhancing the existing enterprise resource planning system	—	<u>22,148.3</u>
<b>Total</b>	<u>140,950.0</u>	<u>381,198.3</u>

We expect to finance our capital expenditures through our cash generated from operations, bank and other borrowings and net proceeds from the Global Offering.

It should be noted that the forecast for capital expenditures is based on our current plans with respect to the planned capital expenditures for constructing second phase of our Vietnam Factory. Our planned capital expenditures may change as a result of changed circumstances. The actual amount of expenditures may vary from the estimated amount for a variety of reasons, including changes in market conditions, competition and other factors. Moreover, as we continue to expand our operations, additional capital expenditures may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future



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is subject to a variety of uncertainties including, but not limited to, our further operation results, financial condition and cash flows, economic, political and other conditions in Hong Kong, the PRC, Vietnam and other jurisdiction where we operate our business.

### COMMITMENTS

#### Capital commitment

The following table sets out our capital commitments as at the dates indicated:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment contracted but not provided for	—	3,196	14,125	13,777
	<u>—</u>	<u>3,196</u>	<u>14,125</u>	<u>13,777</u>

The capital commitments described above primarily related to purchase of property, plant and equipment.

#### Operating lease commitment

The following table sets out our future aggregate minimum lease payments under non-cancellable operating lease in respect of leasehold land and building as at the dates indicated:

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	192	141	112	102
Later than one year and not later than five years	<u>98</u>	<u>79</u>	<u>45</u>	<u>4</u>
	<u>290</u>	<u>220</u>	<u>157</u>	<u>106</u>

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

As at 31 March 2013, 2014 and 2015 and 30 September 2015, we did not have any significant contingent liabilities.

### SENSITIVITY ANALYSES

#### 1. Raw materials

Cost of raw materials was the largest component of our cost of sales and primarily consisted of the cost of yarn, cashmere and other accessories such as buttons, zippers, labels and hangtags. The purchase of yarn accounted for a substantial amount of our cost of sales, representing approximately 44.7%, 34.5%, 40.7% and 42.7% of our total cost of sales during each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively. The prices of yarn fluctuated during the Track Record Period and the changes in prices of yarn would have affected the results of operations during the same period. The following sensitivity analysis illustrates the impact of an increase/a decrease of 5%, 8% and 10% in the prices of yarn, with all other things being held constant, and how that would have increased/decreased our gross profit and profit after tax for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively as follows:

	<b>Increase/ Decrease by 5%</b>	<b>Increase/ Decrease by 8%</b>	<b>Increase/ Decrease by 10%</b>
<b>Change in gross profit (HK\$'000)</b>			
Year ended 31 March 2013	+/-41,078	+/-65,725	+/-82,157
Year ended 31 March 2014	+/-35,118	+/-56,190	+/-70,237
Year ended 31 March 2015	+/-43,807	+/-70,091	+/-87,614
Six months ended 30 September 2015	<u>+/-28,440</u>	<u>+/-45,503</u>	<u>+/-56,879</u>
	<b>Increase/ Decrease by 5%</b>	<b>Increase/ Decrease by 8%</b>	<b>Increase/ Decrease by 10%</b>
<b>Change in profit after tax (HK\$'000)</b>			
Year ended 31 March 2013	+/-36,512	+/-58,420	+/-73,025
Year ended 31 March 2014	+/-31,310	+/-50,096	+/-62,620
Year ended 31 March 2015	+/-38,149	+/-61,039	+/-76,298
Six months ended 30 September 2015	<u>+/-24,493</u>	<u>+/-39,189</u>	<u>+/-48,987</u>

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## FINANCIAL INFORMATION

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### 2. Labour costs

Labour costs were the second largest component of our cost of sales. Our labour costs mainly consist of the cost for our employees in the PRC Factory and the Vietnam Factory. The following sensitivity analysis illustrates the impact of an increase/a decrease of 5%, 8% and 10% in our labour costs, with all other things being held constant, and how that would have increased/decreased our gross profit and profit after tax for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 respectively as follows:

	<b>Increase/ Decrease by 5%</b>	<b>Increase/ Decrease by 8%</b>	<b>Increase/ Decrease by 10%</b>
<b>Change in gross profit (HK\$'000)</b>			
Year ended 31 March 2013	+/-15,417	+/-24,668	+/-30,835
Year ended 31 March 2014	+/-15,465	+/-24,745	+/-30,931
Year ended 31 March 2015	+/-16,804	+/-26,887	+/-33,608
Six months ended 30 September 2015	+/-12,910	+/-20,655	+/-25,819
	<b>Increase/ Decrease by 5%</b>	<b>Increase/ Decrease by 8%</b>	<b>Increase/ Decrease by 10%</b>
<b>Change in profit after tax (HK\$'000)</b>			
Year ended 31 March 2013	+/-13,704	+/-21,926	+/-27,407
Year ended 31 March 2014	+/-13,788	+/-22,061	+/-27,577
Year ended 31 March 2015	+/-14,634	+/-23,414	+/-29,268
Six months ended 30 September 2015	+/-11,118	+/-17,789	+/-22,236

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	As at and for the year ended 31 March			As at and for the six months ended 30 September
	2013	2014	2015	2015
	<b>Liquidity ratios</b>			
Current ratio <sup>(1)</sup>	1.05	1.24	1.13	1.18
Quick ratio <sup>(2)</sup>	0.58	0.73	0.71	0.93
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(3)</sup>	65.5%	62.0%	80.9%	109.2%
Net debt-to-equity ratio <sup>(4)</sup>	42.9%	35.9%	51.2%	74.9%
Interest coverage <sup>(5)</sup>	22.9	16.5	16.5	12.8
<b>Profitability ratios</b>				
Return on total assets <sup>(6)</sup>	16.3%	9.6%	11.5%	11.4%
Return on equity <sup>(7)</sup>	32.2%	18.8%	24.4%	28.0%

*Notes:*

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the respective year/period.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective year/period.
- (3) Gearing ratio is calculated by dividing total debt by total equity, multiplying the resulting value by 100.0%.
- (4) Net debt-to-equity ratio is calculated by dividing net debts (total borrowing including finance lease obligations less cash and cash equivalents) by total equity, multiplying the resulting value by 100.0%.
- (5) Interest coverage is calculated by dividing profit before interest and tax by net interest expenses of the respective year/period.
- (6) Return on total assets is calculated by dividing profit for the year/period by total assets and multiplying the resulting value by 100.0%.
- (7) Return on equity is calculated by dividing profit for the year/period by total equity and multiplying the resulting value by 100.0%.

### Current ratio

As at 31 March 2013, 2014 and 2015 and 30 September 2015, our current ratio was approximately 1.05, 1.24, 1.13 and 1.18 respectively. The increase in our current ratio from approximately 1.05 as at 31 March 2013 to approximately 1.24 as at 31 March 2014 was primarily due to increases in our cash and cash equivalents and amounts due from Shareholders and a decrease in our borrowings. The decrease in our current ratio from approximately 1.24 as at 31 March 2014 to approximately 1.13 as at 31 March 2015 was primarily due to decreases in inventories, trade receivables, prepayment, deposits, other receivables and other assets and amounts

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## FINANCIAL INFORMATION

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due from related companies, while there was an increase in borrowings and current income tax liabilities. The increase in our current ratio from approximately 1.13 as at 31 March 2015 to approximately 1.18 as at 30 September 2015 was primarily due to increases in our trade receivables.

### **Quick ratio**

As at 31 March 2013, 2014 and 2015 and 30 September 2015, our quick ratio was approximately 0.58, 0.73, 0.71 and 0.93 respectively. The increase in our quick ratio from approximately 0.58 as at 31 March 2013 to approximately 0.73 as at 31 March 2014 was primarily due to increases in our cash and cash equivalents and amounts due from Shareholders and a decrease in our borrowings. The decrease in our quick ratio from approximately 0.73 as at 31 March 2014 to approximately 0.71 as at 31 March 2015 was primarily due to decreases in trade receivables, prepayments, deposits, other receivables and other assets and amounts due from related companies, while there was an increase in borrowings and current income tax liabilities. The increase in our quick ratio from approximately 0.71 as at 31 March 2015 to approximately 0.93 as at 30 September 2015 was primarily due to increases in our trade receivables.

### **Gearing ratio**

As at 31 March 2013, 2014 and 2015 and 30 September 2015, our gearing ratio was approximately 65.5%, 62.0%, 80.9% and 109.2% respectively. The decrease in our gearing ratio from approximately 65.5% as at 31 March 2013 to approximately 62.0% as at 31 March 2014 was primarily due to a decrease in our total borrowings. The increase in our gearing ratio from approximately 62.0% as at 31 March 2014 to approximately 80.9% as at 31 March 2015 and further to approximately 109.2% as at 30 September 2015 was primarily due to the increase in our total borrowings in line with the development of our Vietnam Factory during the year/period.

### **Net debt-to-equity ratio**

As at 31 March 2013, 2014 and 2015 and 30 September 2015, our net debt-to-equity ratio was approximately 42.9%, 35.9%, 51.2% and 74.9% respectively. The decrease in our net debt-to-equity ratio from approximately 42.9% as at 31 March 2013 to approximately 35.9% as at 31 March 2014 was primarily due to a decrease in our total borrowings and an increase in cash and cash equivalents. The increase in our net debt-to-equity ratio from approximately 35.9% as at 31 March 2014 to approximately 51.2% as at 31 March 2015 and further to approximately 74.9% as at 30 September 2015 was primarily reflecting the increase in our total borrowings in line with the development of our Vietnam Factory during the year/period.

### **Interest coverage**

For each of the three years ended 31 March 2013, 2014 and 2015 and 30 September 2015, our interest coverage was approximately 22.9, 16.5, 16.5 and 12.8 respectively. The decrease in our interest coverage from approximately 22.9 for the year ended 31 March 2013 to approximately 16.5 for the year ended 31 March 2014 was primarily due to a decrease in profit before interest and tax

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## FINANCIAL INFORMATION

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for the year ended 31 March 2014. Our interest coverage for the year ended 31 March 2015 remained stable at 16.5. The decrease in our interest coverage to approximately 12.8 for the six months ended 30 September 2015 was primarily due to the increase in interest expense as a result of the increased borrowings in line with the development of our Vietnam Factory during the period.

### **Return on total assets**

For each of the three years ended 31 March 2013, 2014 and 2015 and 30 September 2015, our return on total assets was approximately 16.3%, 9.6%, 11.5% and 11.4% respectively. The decrease in our return on total assets from approximately 16.3% for the year ended 31 March 2013 to approximately 9.6% for the year ended 31 March 2014 was primarily due to a decrease in profit for the year ended 31 March 2014 while our total assets remained stable. The increase in our return on total assets from approximately 9.6% for the year ended 31 March 2014 to approximately 11.5% for the year ended 31 March 2015 was primarily due to an increase in profit for the year ended 31 March 2015 despite an increase in our total assets which was modest. Our return on total assets for the six months ended 30 September 2015 remained stable.

### **Return on equity**

For each of the three years ended 31 March 2013, 2014 and 2015 and 30 September 2015, our return on equity was approximately 32.2%, 18.8%, 24.4% and 28.0% respectively. The decrease in our return on equity from approximately 32.2% for the year ended 31 March 2013 to approximately 18.8% for the year ended 31 March 2014 was primarily due to a decrease in profit for the year ended 31 March 2014 while our total equity remained stable. The increase in our return on equity from approximately 18.8% for the year ended 31 March 2014 to approximately 24.4% for the year ended 31 March 2015 was primarily due to an increase in profit for the year ended 31 March 2015 while our total equity remained stable. The increase in our return on equity from approximately 24.4% for the year ended 31 March 2015 to approximately 28.0% for the six months ended 30 September 2015 was mainly due to a decrease in our total equity.

### **OFF-BALANCE SHEET ARRANGEMENTS**

During the Track Record Period and as at the Latest Practicable Date, we did not have any off-balance sheet arrangements.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Foreign exchange risk**

We mainly operate in Hong Kong and the PRC and most of our operating expenses are denominated in RMB while most of our sales are denominated in US dollars.

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## FINANCIAL INFORMATION

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During the Track Record Period, we entered into foreign exchange forward contracts to mitigate our exposures of RMB and HK\$ against US dollars. Please refer to the section headed “Financial Information — Certain Items of Combined Balance Sheet — Derivative Financial Instruments” of this prospectus. If US dollar has weakened/strengthened against RMB at the date of settlement by 5% compared with that at the balance sheet date, with all other variables held constant, the profit before tax for the year for each of the year ended 31 March 2013, 2014 and 2015 would have been approximately HK\$5.9 million/HK\$17.0 million, HK\$188.3 million/HK\$115.0 million, HK\$67.8 million/HK\$41.2 million higher/lower respectively. There were no outstanding forward foreign currency contracts as at 30 September 2015.

During the Track Record Period, while we generated over 90% of our revenue and trade receivables in US dollars, and over 30% of our costs (including cost of sales, selling and distribution expenses and general and administrative expenses) were dominated in RMB. If RMB had weakened/strengthened against US\$ by 5%, with all other variables held constant, for each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, (i) our profit before tax would have been approximately HK\$26.5 million, HK\$28.3 million, HK\$24.0 million and HK\$18.4 million higher/lower respectively; (ii) our profit after tax would have been approximately HK\$23.6 million, HK\$25.2 million, HK\$20.9 million and HK\$15.8 million higher/lower respectively; and (iii) our gross profit would have been approximately HK\$20.3 million, HK\$22.2 million, HK\$17.5 million and HK\$14.1 million higher/lower respectively.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, certain of our bank balances and deposits are denominated in RMB. If HK\$ had weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year for each of the year ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 would have been approximately HK\$1.2 million, HK\$0.6 million, HK\$1.4 million and HK\$1.0 million higher/lower respectively.

### **Cash flow interest-rate risk**

We have no significant interest-bearing assets except for bank deposits. Our exposure to changes in interest rates is mainly attributable to our borrowings. Most of our borrowings carry floating rates which expose our Group to cash flow interest rate risk. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before tax for the year would have been approximately HK\$4.1 million, HK\$3.6 million, HK\$4.5 million and HK\$3.0 million lower/higher, mainly as a result of higher/lower interest expenses respectively.

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## FINANCIAL INFORMATION

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### **Credit risk**

As at 31 March 2013, 2014 and 2015 and 30 September 2015, all of our bank balances and deposits are held with major financial institutions located in Hong Kong, PRC and Vietnam which our Directors believe are of high credit quality. Our Directors do not expect any losses arising from non-performance by these counterparties.

We have policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. We perform periodic credit evaluations of our customers, taking into account their financial position, past experience and other factors. Our credit sales are generally on credit terms within 60 days. Normally we do not require collaterals from trade debtors. As at 31 March 2013, 2014 and 2015 and 30 September 2015, our largest debtor accounted for 50%, 34%, 39% and 41% of our Group's total trade receivables.

### **Liquidity risk**

We mainly finance our working capital requirements through internal resources and bank borrowings. We rely on bank loans as a significant source of liquidity.

We monitor and maintain a level of cash and cash equivalents considered adequate by our Directors to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Directors monitor the utilisation of bank and other borrowings to ensure that there is adequate banking facilities available and compliance with loan covenants.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, certain subsidiaries have provided guarantees to certain banks in respect of banking facilities granted by the banks to the subsidiaries. In addition, one subsidiary has provided an unlimited guarantee to a bank in respect of certain banking facilities granted by the bank to certain subsidiaries. As at 31 March 2013, 2014 and 2015 and 30 September 2015, the total banking facilities utilised by the Company and other relevant companies in the aggregate under these guarantees amounted to approximately HK\$731.1 million, HK\$717.8 million, HK\$806.2 million and HK\$1,126.4 million respectively.

### **Price risk**

The major raw materials that we use in the production of our knitwear products mainly include yarn, which are subject to market price risk. We have not entered into any hedging activities to hedge our exposure to such market price risk.

We are exposed to price risk arising from our investments in equity securities and our Key Man Insurance which are classified on the combined balance sheet as available-for-sale financial assets. The equity securities invested by our Group are publicly traded on the Stock Exchange. As at 31 March 2013, 2014 and 2015 and 30 September 2015, the financial impact to us arising from the fluctuation in the prices of the equity securities invested by our Group would not be significant.



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## FINANCIAL INFORMATION

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The fair value of the Key Man Insurance will fluctuate, subject to the returns which are at the discretion of the issuer of such policies, which have a minimum guaranteed return during the holding period. Our management is of the opinion that the price risk arising from such policies is insignificant.

### **DIVIDEND AND DISTRIBUTION POLICY**

For each of the years ended 31 March 2013, 2014 and 2015, we declared dividends in the amount of approximately HK\$200.0 million, HK\$200.0 million, HK\$427.0 million respectively to our then shareholders, all of which were paid as at 31 March 2015. For the six months ended 30 September 2015, we declared a dividend in the amount of approximately HK\$120 million to our then shareholders, all of which has been settled and funded by our internal resources. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

Subject to the Companies Law and the Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Directors. Our Articles of Association provide that dividends may be declared and paid out of profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. We will reevaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to recommend payment of dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

Our Board will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our shareholders.

Future dividend payments will also depend upon the availability of dividends received from all of our subsidiaries which, as at the Latest Practicable Date, comprise companies in Hong Kong, the PRC and Vietnam. Hong Kong law requires a company to have sufficient legally available reserves before distributing a dividend. In general, this means that a Hong Kong company can only declare dividends from realised profits and subject further, to there not being accumulated losses. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Our subsidiary in Vietnam may only distribute dividends if (i) it generates profit and has fulfilled its tax and other financial obligations; and (ii) it has no accumulated losses from previous years after such losses have been carried forward in accordance with the law. Distributions from

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## FINANCIAL INFORMATION

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our subsidiary companies may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders at least 35% of any distributable profit.

### PROPERTY INTERESTS

Vigers Appraisal & Consulting Limited, an independent property valuer to our Company, has valued the PRC Factory located in Huizhou, the PRC as at 31 December 2015. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix III to this prospectus.

The following table sets forth the reconciliation between the net book value of the relevant properties as at 30 September 2015 as extracted from our Accountant's Report set forth in Appendix I to this prospectus and the property valuation report as set forth in Appendix III as at 31 December 2015:

	<u>HK\$'000</u>
Net book value of the Group's property interests as at 30 September 2015	299,341
Less: Depreciation of buildings and amortisation of land use rights during the period from 1 October 2015 to 31 December 2015	<u>(5,158)</u>
Net book value of the Group's property interest as at 31 December 2015	294,183
Net valuation surplus	<u>422,603</u>
Valuation of the relevant properties as at 31 December 2015 as set forth in the property valuation report included in Appendix III to this prospectus	<u><u>716,786</u></u>

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to owner of our Company as if the Global Offering had taken place on 30 September 2015. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 September 2015 or any future dates following the Global Offering.

	Audited combined net tangible assets attributable to the owners of our Company as at 30 September 2015	Estimated net proceeds from the Global Offering	Completion of the Reorganisation	Settlement of amount due from shareholders and related companies	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company as at 30 September 2015	Unaudited pro forma adjusted net tangible assets per Share
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$)
Based on an Offer Price of HK\$1.03 per Offer Share	1,110,976	483,324	6,834	(542,000)	1,059,134	0.53
Based on an Offer Price of HK\$1.33 per Offer Share	1,110,976	629,574	6,834	(542,000)	1,205,384	0.60

For more details, please refer to Appendix II of this prospectus.

### DISTRIBUTABLE RESERVES

As at 30 September 2015, the Company did not have any distributable reserve available for distribution to Shareholders.

### LISTING EXPENSES

Assuming an Offer Price of HK1.18 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing related expenses in relation to the Global Offering is approximately HK\$50.1 million, without taking into account any discretionary incentive fees, of which approximately HK\$16.5 million were charged to our income statements and approximately HK\$4.5 million were recognised as deferred listing expenses during the Track Record Period. For the remaining expenses, we expect to charge approximately HK\$11.5 million to our income statements and the balance of approximately HK\$17.6 million to be capitalised.

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## FINANCIAL INFORMATION

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### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, having performed reasonable due diligence, there has been no material adverse change in our financial or trading position since 30 September 2015 (being the date to which our Company's latest audited combined financial results were prepared, as set out in "Appendix I — Accountant's Report") up to the date of this prospectus.

### **NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the sub-section headed “Business — Our Strategies” for a detailed description of our business strategies and future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$539.9 million, after deducting the total estimated listing related expenses payable by us in the Global Offering, without taking into account any discretionary incentive fee, and assuming the Over-allotment Option is not exercised at an Offer Price of HK\$1.18 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 30% (approximately HK\$162.0 million) will be used for the construction of second phase of our Vietnam Factory. We have commenced construction of the second phase of our Vietnam Factory and expect the construction to be completed in the first half of 2016. Production is expected to commence thereafter. We estimate that the construction will cost approximately HK\$281.9 million with HK\$141.0 million to be spent during the financial year ending 31 March 2016 and the remaining HK\$140.9 million to be spent during the financial year ending 31 March 2017;
- approximately 25% (approximately HK\$134.9 million) will be used for the purchase of approximately 1,300 machines for the second phase of our Vietnam Factory with expected designed annual production capacity of approximately 12.6 million units of knitwear. We estimate that these machines will cost approximately HK\$218.1 million with deposits and instalments under the related finance leases becoming payable over the next five years.
- approximately 15% (approximately HK\$81.0 million) will be used to repay part of our outstanding bank loans;

<u>Bank</u>	<u>Outstanding principal amount</u> (HK\$)	<u>Interest rate (per annum)</u>	<u>Maturity</u>	<u>Usage</u>
Bank 1	54.1 million	3 month HIBOR plus 2.75% p.a.	August 2017	Working capital purpose
Bank 2	50.0 million	Bank’s cost of funding plus 2.75% p.a.	June 2017	Working capital purpose

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately 10% (approximately HK\$54.0 million) will be used for enhancing design and product development capabilities by (i) employing additional experienced and reputable designers, (ii) enhancing communication with customers by market research analysis, (iii) purchasing additional computer design systems; and (iv) continuing to invest in research and development of new production technology, materials and samples;
- approximately 10% (approximately HK\$54.0 million) will be used for enhancing the existing enterprise resource planning system by (i) purchasing additional computerized system and upgrading our existing hardware and servers; and (ii) arranging on-the-job training to the information technology department and operational staff and management; and
- approximately 10% (approximately HK\$54.0 million) will be used for working capital and general corporate purposes.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$86.3 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$1.18). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds to repay bank loans and for the construction of second phase of our Vietnam Factory.

If the Offer Price is fixed at HK\$1.33, being the high end of the stated Offer Share range, our net proceeds will be (i) approximately HK\$613.0 million, assuming the Over-allotment Option is not exercised; or (ii) approximately HK\$710.3 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds to repay bank loans and for the construction of second phase of our Vietnam Factory.

If the Offer Price is fixed at HK\$1.03, being the low end of the stated Offer Price range, our net proceeds will be (i) approximately HK\$466.8 million, assuming the Over-allotment Option is not exercised. Our Directors currently intend to reduce net proceeds for its working capital; and (ii) approximately HK\$542.1 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds for the construction of second phase of our Vietnam Factory.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

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## UNDERWRITING

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### HONG KONG PUBLIC OFFER UNDERWRITERS

CLSA Limited

Mizuho Securities Asia Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **The Hong Kong Public Offering**

#### *Hong Kong Public Offer Underwriting Agreement*

Pursuant to the Hong Kong Public Offer Underwriting Agreement, our Company is offering initially 50,000,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Public Offer Underwriting Agreement, the Hong Kong Public Offer Underwriters have agreed to subscribe, or procure subscribers to subscribe for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Public Offer Underwriting Agreement.

The Hong Kong Public Offer Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

#### *Grounds for termination*

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Public Offer Underwriters) and the Sole Sponsor may, in its sole and absolute discretion, terminate the Hong Kong Public Offer Underwriting Agreement upon the occurrence of any of the following events before 8:00 a.m. on the Listing Date:

- (i) there develops, occurs, exists or comes into force:
  - (a) any change or development involving a prospective change or development, or any event or series of events likely to result in or represent a change or development, or prospective change (whether or not permanent) or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, a change in

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## UNDERWRITING

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the system under which the value of the Hong Kong currency is united to that of the currency of the US or a devaluation of the RMB against any foreign currencies) in or affecting the PRC, Hong Kong, Vietnam, Japan, Singapore, the US, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”); or

- (b) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or
- (c) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including, but not limited to, SARS, H5N1 and H1N1 and such related/ mutated forms), economic sanctions (in whatever form, directly or indirectly), strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, volcanic eruptions, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting any Relevant Jurisdiction; or
- (d) (1) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or trading in any securities of the Company or any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or (2) any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (e) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (f) any adverse change or prospective adverse change in the earnings, business, business prospects, financial or trading position, or conditions (financial or otherwise) of the Group (including any litigation or claim being threatened or instigated against the Group); or



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## UNDERWRITING

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- (g) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (h) an Executive Director 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 the chairman or the chief executive officer of the Company vacating his office; or the commencement by any regulatory or political body or organisation of any investigation or action against a Director or an announcement by any regulatory or political body or organisation that it intends to investigate or take any such action; or
- (i) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (j) a valid demand by any creditor for repayment or payment of any indebtedness of the Group or in respect of which the Group is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (k) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group, the Executive Directors, and/or the Controlling Shareholders; or
- (l) a contravention by any member of the Group of the Listing Rules or applicable Laws; or
- (m) a prohibition on the Company for whatever reason from offering, allotting, issuing, or selling the Shares (including any additional Shares under the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (n) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the US or the European Union (or any member thereof) on the PRC or any of the Relevant Jurisdictions; or
- (o) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) with the Listing Rules or any other applicable Laws; or

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## UNDERWRITING

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- (p) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

and which, individually or in the aggregate in the sole and absolute opinion of the Sole Global Coordinator and the Sole Sponsor:

- (1) has or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
  - (2) has or will have or may be expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or
  - (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
  - (4) has or will have or may or could be expected to have the effect of making any part of the Hong Kong Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (ii) there has come to the notice of the Sole Global Coordinator or the Sole Sponsor:
- (a) that any statement contained in this prospectus, the Application Forms, the formal notice, any announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or inaccurate in any material respect or misleading or deceptive in any respect or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement therein, or constitute an omission from this prospectus, the Application Forms and/or any notices, announcements, advertisements,

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## UNDERWRITING

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- communications or other documents issued or used by on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Public Offer Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Public Offer Underwriters or the International Underwriters); or
  - (d) any breach of, or any event or circumstance rendering untrue or incorrect, misleading or deceptive in any respect, any of the warranties under the Hong Kong Public Offer Underwriting Agreement; or
  - (e) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties under the Hong Kong Public Offer Underwriting Agreement; or
  - (f) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, 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
  - (g) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or
  - (h) our Company withdraws the prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
  - (i) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in the prospectus or to the issue of the prospectus.

### ***Restrictions pursuant to the Listing Rules***

#### ***(a) Restriction on further issue of Shares by us***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will 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 such issue within six months from the date on which our Shares commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or (b) pursuant to the Global Offering (including the Over-allotment Option).

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## UNDERWRITING

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(b) *Restriction on disposal of Shares by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to each of the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option), he/it shall not and shall procure that the relevant registered Shareholder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of his/its shareholding 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 those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; or; and
- (2) in the period of six months commencing on the date on which the period referred to in paragraph (1) 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 Shares or securities referred to in (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (1) when it/he pledges or charges any securities of our Company or interests therein beneficially owned by it/him in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when it/he receives indications, either verbal or written, from the pledgee or charges that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published as required under the Listing Rules.

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## UNDERWRITING

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### *Undertakings pursuant to the Hong Kong Public Offer Underwriting Agreement*

(a) *Undertaking by us*

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Public Offer Underwriters that the Company shall, each of the Controlling Shareholders and Mr. Wong Wai Wing, Raymond, our executive Director, undertake to the Hong Kong Public Offer Underwriters to procure that the Company shall, at any time during the period commencing on the date of the Hong Kong Public Offer Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), except pursuant to the Global Offering (including pursuant to the Over-allotment Option) not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator, and subject always to the provisions of the Listing Rules:

- (1) 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 encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, 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 any shares of such other member of the Group, as applicable); or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, 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 any shares of such other member of the Group, as applicable); or
- (3) enter into any transaction with the same economic effect as any transaction specified above; or
- (4) offer to or agree to or announce any intention to effect any transaction specified above.

In the event that our Company does any of the foregoing during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in the securities of our Company.

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## UNDERWRITING

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(b) *Undertaking by the Controlling Shareholders*

Each of the Controlling Shareholders undertakes to us and the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase 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 the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) 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 interest therein (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 any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph is to be settled by delivery of Shares or 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);
- (2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offer to or agree to or announce any intention to effect 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 will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

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## UNDERWRITING

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- (3) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### ***Indemnity***

Our Company, the Controlling Shareholders and Mr. Wong Wai Wing, Raymond, our executive Director, have agreed to indemnify the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Public Offer Underwriting Agreement and any breach by our Company, the Controlling Shareholders and Mr. Wong Wai Wing, Raymond, our executive Director, of the Hong Kong Public Offer Underwriting Agreement.

### **The International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, amongst others, the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and exercisable by the Sole Global Coordinator on or before Friday, 6 May 2016, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 75,000,000 Offer Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

### ***Indemnity***

We, the Controlling Shareholders and Mr. Wong Wai Wing, Raymond, our executive Director, have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the US Securities Act.

### ***Grounds for Termination***

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors are reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.



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## UNDERWRITING

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### **Underwriting Commissions and Expenses**

The Hong Kong Public Offer Underwriters will receive from us an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters. Our Company may also in its sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 0.5% of the aggregate of the sale proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees (excluding the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$50.1 million in total (based on an Offer Price of HK\$1.18 being the mid-point of our indicative price range of the Global Offering and assuming the Over-allotment Option is not exercised).

### **Hong Kong Public Offer Underwriters' Interests in our Group**

Save as disclosed in this prospectus and other than its obligations pursuant to the Hong Kong Public Offer Underwriting Agreement, as of the Latest Practicable Date, the Hong Kong Public Offer Underwriters are not interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Public Offer Underwriters and their affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Public Offer Underwriting Agreement. Buyers of the Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

### **Sole Sponsor's Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.



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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

#### Offer Price Range

The Offer Price will be not more than HK\$1.33 per Offer Share and is expected to be not less than HK\$1.03 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the offer price to be determined on the price determination date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

#### Price Payable on Application

Applicants for Hong Kong Public Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.33 for each Hong Kong Public Offer Share. If the Offer Price is less than HK\$1.33 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications. See the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus.

#### Determining the Offer Price

The Offer Price is expected to be fixed by agreement with the Sole Global Coordinator and us 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 Wednesday, 6 April 2016 and in any event, no later than Sunday, 10 April 2016.

**If for any reason, the Sole Global Coordinator and us are unable to reach agreement on the Offer Price on or before Sunday, 10 April 2016, the Global Offering will not proceed.**

#### Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator and with our consent, considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese), the Company’s website and the Stock Exchange’s website, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the

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## STRUCTURE OF THE GLOBAL OFFERING

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Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If an indicative offer price range is reduced, we will issue a supplemental prospectus updating investors of the change in the indicative offer price together with an update of all financial and other information in connection with such change; extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications. Details of the arrangement will then be announced by the Company as soon as practicable.

**Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.**

### **Allocation**

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Shares pursuant to the International Offering 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 Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants, although the allocation of Hong Kong Public Offer Shares could, where appropriate, consist 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Announcement of Offer Price and Basis of Allocations**

The Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Public Offer Shares are expected to be announced on Monday, 11 April 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

### **CONDITIONS OF THE HONG KONG PUBLIC OFFERING**

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may fall to be issued pursuant to options granted or to be granted under the Share Options Scheme);
- (ii) the Offer Price having been duly agreed between us and the Sole Global Coordinator;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Public Offer Underwriting Agreement and the International Underwriting Agreement having become 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 such underwriting agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event, not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance.

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## STRUCTURE OF THE GLOBAL OFFERING

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Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 11 April 2016 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 12 April 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

### **The Hong Kong Public Offering**

We are initially offering 50,000,000 Hong Kong Public Offer Shares (subject to the re-allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering) at the Offer Price, representing 10% of the 500,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK\$5 million and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of 50,000,000 Offer Shares initially included in the Hong Kong Public Offer (that is 25,000,000 Offer Shares) will be rejected.

### **Reallocation**

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, whereby the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then

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## STRUCTURE OF THE GLOBAL OFFERING

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Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 150,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 200,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 250,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Subject to the clawback mechanism described above, the Sole Global Coordinator has the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors and the Hong Kong Public Offer Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Sole Global Coordinator may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### THE INTERNATIONAL OFFERING

The International Offering will consist of initially 450,000,000 Shares, and is subject to adjustments and the Over-allotment Option, to be offered by us outside the US (within the meaning of Regulation S under the US Securities Act) in reliance on Regulation S under the US Securities Act, including to professional and institutional investors in Hong Kong.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 75,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Share under the International Offering, to cover over-allocations in the International Offering (if any). In the event that the Over-allotment Option is exercised, a press announcement will be made.

### Stabilisation Action

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 newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial Hong Kong Public Offering prices. In Hong Kong and certain other jurisdictions, 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 overallocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing from the Listing Date or otherwise subject to compliance with applicable legal and regulatory requirements. 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. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilisation, if commenced, 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 must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering (i.e. on Tuesday, 5 April 2016). The number of Shares that

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## STRUCTURE OF THE GLOBAL OFFERING

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may be over-allocated will not be greater than the number of Shares which may be sold by the Over-allotment Grantors upon exercise of the Over-allotment Option, being 75,000,000 Shares in aggregate, which is 15% of the Offer Shares initially being offered by us under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
  - (A) (1) over-allocate our Shares; or (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
  - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
  - (C) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
  - (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering (i.e. on Tuesday, 5 April 2016). The stabilisation period is expected to expire on or before Friday, 6 May 2016. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilising) Rules of the SFO.



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## STRUCTURE OF THE GLOBAL OFFERING

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Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing 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, by using Shares purchased by the Stabilizing 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 Stabilizing Manager may choose to enter into the Stock Borrowing Agreement with the Controlling Shareholders, to borrow, whether on its own or through its affiliates, up to 75,000,000 Shares, representing 15% of the Offer Shares, to cover over-allotments (being the maximum number of additional Shares which may be sold upon exercise of the Over-allotment Option). The stock borrowing arrangements under the Stock Borrowing 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, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The maximum number of Shares to be borrowed from the Controlling Shareholders by the Stabilizing Manager is the maximum number of Shares that may be issued or sold upon full exercise of the Over-Allotment Option. The same number of Offer Shares so borrowed must be returned to the Controlling Shareholders or their nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-Allotment Option may be exercised, or (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 laws, rules and other regulatory requirements. No payment will be made to the Controlling Shareholders by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 12 April 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 12 April 2016. The Shares will be traded in board lots of 2,000 Shares.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk); 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.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider 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 Public 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 US and not a US person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

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 and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- (i) an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of the Company and/or any of its subsidiaries;
- (iii) a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a core connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- (v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Public 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 between 9:00 a.m. on Wednesday, 30 March 2016 until 12:00 noon, Tuesday, 5 April 2016 from:

- (i) the following office of the Sole Global Coordinator:

**CLSA Limited**  
18/F One Pacific Place  
88 Queensway  
Hong Kong

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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(ii) any of the following branches of the receiving banks:

(a) Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West Shek Tong Tsui
	Taikoo Shing Branch	Shop G1006 Hoi Sing Mansion Taikoo Shing
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza 485 Castle Peak Road
	Telford Gardens Branch	Shop P2 Telford Gardens Kowloon Bay
New Territories	Tai Po Branch	68-70 Po Heung Street Tai Po Market
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

(b) Hang Seng Bank Limited

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King's Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Yaumati Branch	363 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Wednesday, 30 March 2016 until 12:00 noon, Tuesday, 5 April 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Nameson Holdings 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 a.m. to 5:00 p.m., Wednesday, 30 March 2016

9:00 a.m. to 5:00 p.m., Thursday, 31 March 2016

9:00 a.m. to 5:00 p.m., Friday, 1 April 2016

9:00 a.m. to 1:00 p.m., Saturday, 2 April 2016

9:00 a.m. to 12:00 noon, Tuesday, 5 April 2016

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 April 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" below.

#### 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 or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) 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;
- (d) 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;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);
- (g) 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 Offering nor participated in the International Offering;
- (h) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) 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 the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the US (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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certificate(s) and/or any e-Refund payment instructions 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 fulfilled the criteria mentioned in “Personal Collection” section in the Prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

- (p) 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;
- (q) understand that the 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 Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (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 or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (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.

## **5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m., Wednesday, 30 March 2016 until 11:30 a.m., Tuesday, 5 April 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Tuesday, 5 April 2016 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **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).

### **Environmental Protection**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Nameson Holdings Limited” **White Form eIPO** application submitted via the website [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of Dong Jiang-Hong Kong Forest” project initiated by Friends of the Earth (HK).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public 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.

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 Public 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 the 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 Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (b) HKSCC Nominees will do the following things on your behalf:
- (i) agree that the Hong Kong Public 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;
  - (ii) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
  - (iii) 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 Offering;
  - (iv) (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;
  - (v) (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;
  - (vi) confirm that you understand that the Company, the 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 Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - (vii) authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - (ix) 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;
  - (x) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (xi) agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents;
- (xii) 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;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) 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 the Company's announcement of the Hong Kong Public Offering results;
- (xv) 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 Public Offer Shares;
- (xvi) agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 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 the Company or any other person in respect of the things mentioned below:

- (i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- (ii) 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
- (iii) 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 Public Offer Shares. Instructions for more than 2,000 Hong Kong Public 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 Public 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 a.m. to 8:30 p.m.<sup>1</sup>, Wednesday, 30 March 2016
- 8:00 a.m. to 8:30 p.m.<sup>1</sup>, Thursday, 31 March 2016
- 8:00 a.m. to 8:30 p.m.<sup>1</sup>, Friday, 1 April 2016
- 8:00 a.m. to 1:00 p.m.<sup>1</sup>, Saturday, 2 April 2016
- 8:00 a.m.<sup>1</sup> to 12:00 noon, Tuesday, 5 April 2016

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<sup>1</sup> These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 March 2016 until 12:00 noon on Tuesday, 5 April 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 April 2016, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” below.

### **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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public 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 Public 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 (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 the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. 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. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public 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 Tuesday, 5 April 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public 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:

- (i) an account number; or
- (ii) 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 or through **White Form eIPO** service, 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:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (iii) 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).

### 9. HOW MUCH ARE THE HONG KONG PUBLIC 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.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service 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, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

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).

Please see “Structure of the Global Offering — Pricing and Allocation” for further details regarding the Offer Price.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 April 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 5 April 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 11 April 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on the Company's website at [www.namesonholdings.com](http://www.namesonholdings.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, 11 April 2016;
- (ii) from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 11 April 2016 to 12:00 midnight on Sunday, 17 April 2016;
- (iii) by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 11 April 2016 to Thursday, 14 April 2016;
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from Monday, 11 April 2016 to Wednesday, 13 April 2016 at all the receiving bank designated branches and sub-branches.

If the 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 Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

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.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

**(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, 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 the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(b) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider 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.

**(c) If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (ii) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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 Public Offer Shares and International Offer Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) the 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
- (viii) your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

### 13. 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\$1.33 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public 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 or before Monday, 11 April 2016.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (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:

- (i) share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (ii) refund cheque(s) crossed “Account Payee Only” in favor 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 Public 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 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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 11 April 2016. 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 Tuesday, 12 April 2016 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.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Personal Collection

#### (i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Public 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 at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 April 2016 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 dispatched 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 11 April 2016, 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 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 11 April 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 11 April 2016, 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.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 April 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public 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 through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 April 2016, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 11 April 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

**(iv) *If you apply via electronic application instructions to HKSCC***

*Allocation of Hong Kong Public Offer Shares*

For the purposes of allocating Hong Kong Public 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.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- (i) 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 Monday, 11 April 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Public Offering in the manner specified in "Publication of Results" above on Monday, 11 April 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 April 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public 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 Monday, 11 April 2016. Immediately following the credit of the Hong Kong Public 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 Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (v) 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 Monday, 11 April 2016.

### 15. 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 advisor 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 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 Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

30 March 2016

The Directors  
Nameson Holdings Limited

CITIC CLSA Capital Markets Limited

Dear Sirs,

We report on the financial information of Nameson Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 March 2013, 2014 and 2015 and 30 September 2015 and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 March 2016 (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.

The Company was incorporated in the Cayman Islands on 11 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section I headed "Reorganisation" below, which was completed on 21 March 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section I below. All of these companies are private companies.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section I.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section I below.

#### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section I below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

#### **OPINION**

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section I below, a true and fair view of the combined state of affairs of the Group as at 31 March 2013, 2014 and 2015 and 30 September 2015 and of the Group's combined results and cash flows for the Relevant Periods then ended.

#### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix I to the Prospectus which comprises the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and



the combined cash flow statements for the six months ended 30 September 2014 and a summary of significant accounting policies 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 set out in Note 1(c) of Section I below and the accounting policies set out in Note 2 of Section I below.

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 of the Stub Period Comparative Financial Information 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 HKSAs 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 purpose of this report is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 1(c) of Section I below and the accounting policies set out in Note 2 of Section I below.

## I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2013, 2014 and 2015 and 30 September 2015 and for each of the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 (the "Financial Information"), presented on the basis set out in Note 1(c) below:

## (a) Combined income statements

	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	5	2,542,805	2,322,265	2,567,667	1,625,996	1,756,432
Cost of sales	7	<u>(1,895,031)</u>	<u>(1,768,285)</u>	<u>(1,994,299)</u>	<u>(1,266,859)</u>	<u>(1,396,923)</u>
<b>Gross profit</b>		647,774	553,980	573,368	359,137	359,509
Other income	6	27,405	24,419	20,617	10,641	7,664
Other gains/(losses), net	8	15,684	(58,221)	27,642	17,448	(2,153)
Selling and distribution expenses	7	(50,746)	(46,164)	(52,304)	(28,392)	(32,692)
General and administrative expenses	7	<u>(206,719)</u>	<u>(212,045)</u>	<u>(235,202)</u>	<u>(103,174)</u>	<u>(136,573)</u>
<b>Operating profit</b>		<u>433,398</u>	<u>261,969</u>	<u>334,121</u>	<u>255,660</u>	<u>195,755</u>
Finance income	10	635	969	1,756	343	360
Finance expenses	10	<u>(19,565)</u>	<u>(16,888)</u>	<u>(21,992)</u>	<u>(10,657)</u>	<u>(15,643)</u>
Finance expenses, net		<u>(18,930)</u>	<u>(15,919)</u>	<u>(20,236)</u>	<u>(10,314)</u>	<u>(15,283)</u>
<b>Profit before income tax</b>		414,468	246,050	313,885	245,346	180,472
Income tax expenses	11	<u>(46,070)</u>	<u>(26,682)</u>	<u>(40,539)</u>	<u>(29,781)</u>	<u>(25,042)</u>
<b>Profit for the year/period attributable to owners of the Company</b>		<u>368,398</u>	<u>219,368</u>	<u>273,346</u>	<u>215,565</u>	<u>155,430</u>
<b>Dividends</b>	13	<u>200,000</u>	<u>200,000</u>	<u>427,000</u>	<u>40,666</u>	<u>120,000</u>

## (b) Combined statements of comprehensive income

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Profit for the year/period</b>	368,398	219,368	273,346	215,565	155,430
<b>Other comprehensive income/ (losses), net of tax:</b>					
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>					
— Currency translation differences	329	337	6,016	10,051	(45,758)
— Fair value gains/(losses) on available-for-sale financial assets	17 4,862	(146)	74	15	(31)
— Release of investment revaluation reserve upon disposals of available-for-sale financial assets	(4,639)	(69)	—	—	—
<b>Other comprehensive income/ (losses) for the year/period, net of tax</b>	552	122	6,090	10,066	(45,789)
<b>Total comprehensive income for the year/period attributable to owners of the Company</b>	368,950	219,490	279,436	225,631	109,641

## (c) Combined balance sheets

	Note	As at 31 March			As at
		2013	2014	2015	30 September
		HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Land use rights	14	19,303	18,811	48,792	45,431
Property, plant and equipment	15	964,850	825,285	874,910	788,171
Investment properties	16	2,492	2,410	2,550	2,483
Deferred income tax assets	26	907	890	809	785
Available-for-sale financial assets	17	114,892	116,256	154,490	157,123
Derivative financial instruments	21	20	—	—	—
Prepayments, deposits, other receivables and other assets	20	17,020	19,441	34,534	33,594
		<u>1,119,484</u>	<u>983,093</u>	<u>1,116,085</u>	<u>1,027,587</u>
<b>Current assets</b>					
Inventories	18	511,119	537,232	475,821	350,271
Trade receivables	19	56,070	47,727	38,697	319,422
Prepayments, deposits, other receivables and other assets	20	56,257	41,448	34,991	88,068
Amounts due from related companies	22	18,278	18,782	11,307	93,266
Amounts due from shareholders	28	220,396	335,512	366,128	472,736
Derivative financial instruments	21	5,447	3,030	—	—
Current income tax recoverable		3,640	4,715	18	—
Pledged bank deposits	23	7,875	8,069	8,242	—
Short-term bank deposits	23	1,272	1,306	—	—
Cash and cash equivalents	23	258,323	305,887	333,740	381,410
		<u>1,138,677</u>	<u>1,303,708</u>	<u>1,268,944</u>	<u>1,705,173</u>
<b>Total assets</b>		<u>2,258,161</u>	<u>2,286,801</u>	<u>2,385,029</u>	<u>2,732,760</u>

	<i>Note</i>	As at 31 March			As at
		2013	2014	2015	30 September
		HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
<b>EQUITY</b>					
<b>Capital and reserves attributable to the owners of the Company</b>					
Combined capital	27	332,335	336,982	337,335	337,335
Investment revaluation reserve		233	18	92	61
Retained earnings		659,308	678,676	525,022	560,452
Other reserve	29(c)	—	—	100,000	100,000
Exchange reserve		152,533	152,870	158,886	113,128
<b>Total equity</b>		<u>1,144,409</u>	<u>1,168,546</u>	<u>1,121,335</u>	<u>1,110,976</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	24	27,456	33,828	142,716	170,806
Derivative financial instruments	21	1,525	32,136	—	—
Deferred income tax liabilities	26	445	208	852	500
		<u>29,426</u>	<u>66,172</u>	<u>143,568</u>	<u>171,306</u>
<b>Current liabilities</b>					
Trade and bills payables	25(a)	156,619	130,816	141,002	179,166
Accruals and other payables	25(b)	113,053	84,246	85,590	119,759
Current income tax liabilities		42,196	56,134	87,252	108,844
Borrowings	24	722,027	691,071	764,664	1,042,709
Derivative financial instruments	21	2,711	53,941	41,618	—
Amount due to a related company	22	47,720	35,875	—	—
		<u>1,084,326</u>	<u>1,052,083</u>	<u>1,120,126</u>	<u>1,450,478</u>
<b>Total liabilities</b>		<u>1,113,752</u>	<u>1,118,255</u>	<u>1,263,694</u>	<u>1,621,784</u>
<b>Total equity and liabilities</b>		<u>2,258,161</u>	<u>2,286,801</u>	<u>2,385,029</u>	<u>2,732,760</u>
<b>Net current assets</b>		<u>54,351</u>	<u>251,625</u>	<u>148,818</u>	<u>254,695</u>
<b>Total assets less current liabilities</b>		<u>1,173,835</u>	<u>1,234,718</u>	<u>1,264,903</u>	<u>1,282,282</u>

## (e) Combined statements of changes in equity

	Attributable to the owners of the Company					Total HK\$'000
	Combined capital HK\$'000	Investment			Retained earnings HK\$'000	
		revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000		
<b>As at 1 April 2012</b>	308,621	10	152,204	—	490,910	951,745
Profit for the year	—	—	—	—	368,398	368,398
<b>Other comprehensive income:</b>						
— Gain on revaluation of available-for-sale financial assets (Note 17)	—	4,862	—	—	—	4,862
— Release of investment revaluation reserve on the disposal of available-for-sale financial assets	—	(4,639)	—	—	—	(4,639)
— Currency translation difference	—	—	329	—	—	329
	—	223	329	—	—	552
Total comprehensive income	—	223	329	—	368,398	368,950
<b>Transactions with owners</b>						
Dividend (Note 13)	—	—	—	—	(200,000)	(200,000)
Share capital injection	23,714	—	—	—	—	23,714
<b>As at 31 March 2013</b>	<u>332,335</u>	<u>233</u>	<u>152,533</u>	<u>—</u>	<u>659,308</u>	<u>1,144,409</u>
<b>As at 1 April 2013</b>	332,335	233	152,533	—	659,308	1,144,409
Profit for the year	—	—	—	—	219,368	219,368
<b>Other comprehensive income:</b>						
— Loss on revaluation of available-for-sale financial assets (Note 17)	—	(146)	—	—	—	(146)
— Release of investment revaluation reserve on the disposal of available-for-sale financial assets	—	(69)	—	—	—	(69)
— Currency translation difference	—	—	337	—	—	337
	—	(215)	337	—	—	122
Total comprehensive income	—	(215)	337	—	219,368	219,490
<b>Transactions with owners</b>						
Dividend (Note 13)	—	—	—	—	(200,000)	(200,000)
Share capital injection	4,647	—	—	—	—	4,647
<b>As at 31 March 2014</b>	<u>336,982</u>	<u>18</u>	<u>152,870</u>	<u>—</u>	<u>678,676</u>	<u>1,168,546</u>

	Attributable to the owners of the Company					Total
	Combined	Investment	Exchange	Other	Retained	
	capital	revaluation	reserve	reserve	earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 1 April 2014</b>	336,982	18	152,870	—	678,676	1,168,546
Profit for the year	—	—	—	—	273,346	273,346
<b>Other comprehensive income</b>						
— Gain on revaluation of available-for-sale financial assets ( <i>Note 17</i> )	—	74	—	—	—	74
— Currency translation difference	—	—	6,016	—	—	6,016
	—	74	6,016	—	—	6,090
Total comprehensive income	—	74	6,016	—	273,346	279,436
<b>Transactions with owners</b>						
Dividend ( <i>Note 13</i> )	—	—	—	—	(427,000)	(427,000)
Share capital injection	353	—	—	—	—	353
Contribution from shareholder ( <i>Note 29(c)</i> )	—	—	—	100,000	—	100,000
<b>As at 31 March 2015</b>	<u>337,335</u>	<u>92</u>	<u>158,886</u>	<u>100,000</u>	<u>525,022</u>	<u>1,121,335</u>
<b>As at 1 April 2015</b>	337,335	92	158,886	100,000	525,022	1,121,335
Profit for the period	—	—	—	—	155,430	155,430
<b>Other comprehensive losses</b>						
— Loss on revaluation of available-for-sale financial assets ( <i>Note 17</i> )	—	(31)	—	—	—	(31)
— Currency translation difference	—	—	(45,758)	—	—	(45,758)
	—	(31)	(45,758)	—	—	(45,789)
Total comprehensive income	—	(31)	(45,758)	—	155,430	109,641
<b>Transactions with owners</b>						
Dividend ( <i>Note 13</i> )	—	—	—	—	(120,000)	(120,000)
<b>As at 30 September 2015</b>	<u>337,335</u>	<u>61</u>	<u>113,128</u>	<u>100,000</u>	<u>560,452</u>	<u>1,110,976</u>

	Attributable to the owners of the Company					Total
	Combined	Investment	Exchange	Other	Retained	
	capital	revaluation	reserve	reserve	earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
<b>As at 1 April 2014</b>	336,982	18	152,870	—	678,676	1,168,546
Profit for the period	—	—	—	—	215,565	215,565
<b>Other comprehensive income</b>						
— Gain on revaluation of available-for-sale financial assets ( <i>Note 17</i> )	—	15	—	—	—	15
— Currency translation difference	—	—	10,051	—	—	10,051
	—	15	10,051	—	—	10,066
Total comprehensive income	—	15	10,051	—	215,565	225,631
<b>Transactions with owners</b>						
Dividend ( <i>Note 13</i> )	—	—	—	—	(40,666)	(40,666)
Share capital injection	353	—	—	—	—	353
<b>As at 30 September 2014</b>	<u>337,335</u>	<u>33</u>	<u>162,921</u>	<u>—</u>	<u>853,575</u>	<u>1,353,864</u>



## (f) Combined cash flow statements

	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Cash flows from operating activities</b>						
Cash generated from operations	29	614,043	455,677	537,804	195,106	100,712
Interest paid		(19,565)	(10,414)	(22,364)	(10,657)	(16,015)
Income tax paid		(30,661)	(14,039)	(3,999)	(1,612)	(3,760)
Net cash generated from operating activities		<u>563,817</u>	<u>431,224</u>	<u>511,441</u>	<u>182,837</u>	<u>80,937</u>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment		(11,503)	(36,795)	(221,468)	(122,209)	(26,636)
Purchase of leasehold land and land use rights		—	—	(31,019)	(31,019)	—
Addition to investment properties		—	—	(261)	(261)	—
(Increase)/decrease of short-term bank deposits		(1,272)	(34)	1,306	1,306	—
Proceeds from disposals of property, plant and equipment		5,162	435	1,325	579	728
Purchase of available-for-sale financial assets		(11,994)	—	(63,018)	—	—
Proceeds from disposal of available-for-sale financial assets		15,589	3,535	—	—	—
Dividend income from available-for-sale financial assets		529	112	15	6	3
Decrease/(increase) in pledged bank deposits		32,357	(194)	(173)	—	8,242
Interest received		635	969	1,756	343	360
Decrease/(increase) in amounts due from related companies		74,192	(504)	37,534	78	(81,959)
(Increase)/decrease in amounts due from shareholders		<u>(480,309)</u>	<u>(115,116)</u>	<u>69,384</u>	<u>(326,485)</u>	<u>(117,257)</u>
Net cash used in investing activities		<u>(376,614)</u>	<u>(147,592)</u>	<u>(204,619)</u>	<u>(477,662)</u>	<u>(216,519)</u>

	<i>Note</i>	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Cash flows from financing activities</b>						
Proceeds from new borrowings		1,826,465	2,278,929	2,365,265	1,656,346	1,371,959
Repayments of borrowings		(1,620,096)	(2,222,418)	(2,155,136)	(1,377,701)	(1,048,002)
Repayments of finance lease obligations		(157,467)	(81,095)	(27,648)	(20,021)	(17,822)
Dividends paid		(200,000)	(200,000)	(427,000)	(40,666)	(120,000)
Increase/(decrease) in amount due to a related company		47,720	(11,845)	(35,875)	157,127	—
Net cash (used in)/generated from financing activities		<u>(103,378)</u>	<u>(236,429)</u>	<u>(280,394)</u>	<u>375,085</u>	<u>186,135</u>
<b>Net increase in cash and cash equivalents</b>		83,825	47,203	26,428	80,260	50,553
Cash and cash equivalents at beginning of the year/period		174,435	258,323	305,887	305,887	333,740
Exchange difference on cash and cash equivalents		63	361	1,425	755	(2,883)
Cash and cash equivalents at end of the year/period	23	<u>258,323</u>	<u>305,887</u>	<u>333,740</u>	<u>386,902</u>	<u>381,410</u>

## NOTES TO THE COMBINED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

## (a) General information

The Company was incorporated in the Cayman Islands on 11 August 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of knitwear products (the "Knitwear Business" or the "Listing Business"). The ultimate holding company of the Company is Happy Family Assets Limited.

## (b) Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Knitwear Businesses were carried out by companies now comprising the Group, which were collectively controlled by Mr Wong Ting Chung, Mr Wong Ting Kau and Mr Wong Ting Chun (collectively, the "Controlling Shareholders"), primarily through Nameson Group Limited ("Nameson Group"), Nameson Holdings Limited ("Nameson Holdings BVI"), and Senico Industrial Limited ("Senico Industrial") and their respective subsidiaries.

During the Relevant Periods, Nameson Group and Nameson Holdings BVI through its subsidiaries are engaged in both Knitwear Business and businesses that were unrelated to the Listing Business (the "Excluded Business").

In preparation for the Listing, the Group underwent the Reorganisation which principally involved the following:

- (a) On 11 August 2015, the Company was incorporated in Cayman Islands and is ultimately controlled by the Controlling Shareholders.
- (b) On 2 December 2015, the Company acquired the entire equity interests of Nameson Group from its then shareholders for an aggregate consideration of HK\$623,000,000, assuming completion of reorganisation steps of (c) and (d) below.
- (c) On 24 December 2015, Nameson Group acquired the entire issued share capital of Senico Industrial at a consideration of HK\$78,000,000, subsequent to the disposal of an industrial premise previously owned by Senico Industrial. This consideration was settled by Nameson Group by the way of transferring the Excluded Business previously owned by Nameson Group. The assets, liabilities and results of operations of the Excluded Businesses have not been included in the Financial Information.
- (d) On 3 December 2015, Nameson Holdings BVI transferred all the issued share capital of companies and its subsidiaries conducting the Knitwear Businesses to Nameson Group at an aggregate consideration of HK\$498,060,000.

Upon the completion of the Reorganisation, the Company becomes the holding company of the companies comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Company name	Place and date of incorporation/ Establishment	Issued and paid up capital	Attributable equity interest of the Group				As at the date of this report	Principal activities/ place of operation	
			31 March			30 September			
			2013	2014	2015	2015			
<b>Directly owned:</b>									
Nameson Group Limited	The British Virgin Islands ("BVI"), 10 September 2004	US\$10	100%	100%	100%	100%	100%	Investment holding, Hong Kong	Note (ix)
<b>Indirectly owned:</b>									
Nameson Industrial Limited	Hong Kong, 25 May 1990	HK\$3,000,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, Hong Kong	Note (i)
Kingmax Industrial Limited	Hong Kong, 13 July 1998	HK\$60,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, Hong Kong	Note (i)
Winner Way Industrial Limited	Hong Kong, 3 September 1996	HK\$60,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, Hong Kong	Note (i)
First Team (HK) Limited	Hong Kong, 6 May 2005	HK\$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong	Note (ii)
First Team (Vietnam) Garment Limited	Vietnam, 14 March 2014	US\$2,000,000 as at 31 March 2014 and US\$26,816,341 as at 31 March 2015	N/A	100%	100%	100%	100%	Manufacturing of knitwear products, Vietnam	Note (iii)
South Crown (H.K.) Limited	Hong Kong, 21 April 2005	HK\$1	100%	100%	100%	100%	100%	Investment holding, Hong Kong	Note (iv)
Senico Industrial Limited	Hong Kong, 5 January 2000	HK\$100	100%	100%	100%	100%	100%	Investment holding, Hong Kong	Note (v)
Huizhou Nanxuan Knitting Fty. Ltd.	The People's Republic of China ("The PRC"), 8 December 2000	US\$30,000,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, the PRC	Note (vi)
Huizhou Nanguan (currently registered as a processing materials factory)	The PRC, 3 April 2006	N/A	100%	100%	100%	100%	100%	Manufacturing of knitwear products, the PRC	Note (ix)
Huizhou Jiaming Knitting Fty. Ltd.	The PRC, 1 August 2001	HK\$68,000,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, the PRC	Note (vii)
Huizhou Liyun Knitting Fty. Ltd.	The PRC, 27 September 2002	HK\$333,214,000 as at 31 March 2013, HK\$333,861,000 as at 31 March 2014 and HK\$337,214,000 as at 31 March 2015	100%	100%	100%	100%	100%	Manufacturing of knitwear products, the PRC	Note (viii)
Huizhou Lihao Knitting Fty. Ltd.	The PRC, 15 May 2002	HK\$65,000,000	100%	100%	100%	100%	100%	Manufacturing of knitwear products, the PRC	Note (viii)
Senico Apparel Limited	Hong Kong, 6 March 2015	HK\$100	N/A	N/A	100%	100%	100%	Investment holding, Hong Kong	Note (x)

Except for First Team (Vietnam) Garment Limited, Huizhou Nanxuan Knitting Fty. Ltd, Huizhou Nanguan Knitting Fty. Ltd, Huizhou Jiaming Knitting Fty. Ltd, Huizhou Liyun Knitting Fty. Ltd and Huizhou Lihao Knitting Fty. Ltd which adopted 31 December as its financial year end date because of fulfilling local statutory requirement, all companies comprising the Group have adopted 31 March as their financial year end date.

The English names of certain companies represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

*Notes:*

- (i) The statutory financial statements of these companies for the years ended 31 March 2013, 2014 and 2015 were audited by PricewaterhouseCoopers.
- (ii) The statutory financial statements of this company for the year ended 31 March 2013 were audited by Cheng Kwok & Chang, CPA, and for the years ended 31 March 2014 and 2015 were audited by PricewaterhouseCoopers.
- (iii) No audited financial statements were issued for the years ended 31 December 2012 and 2013 as it is newly incorporated in 14 March 2014. The statutory financial statements of this company for the year ended 31 December 2014 were audited by PricewaterhouseCoopers (Vietnam) Ltd.
- (iv) The statutory financial statements of this company for the year ended 31 March 2013 were audited by Janice C.M. Li, CPA, and for the years ended 31 March 2014 and 2015 were audited by PricewaterhouseCoopers.
- (v) The statutory financial statements of these companies for the years ended 31 March 2013, 2014 and 2015 were audited by Simon Chong & Company.
- (vi) The statutory financial statements of this company for the years ended 31 December 2012, 2013 and 2014 were audited by 惠州榮德會計師事務所.
- (vii) The statutory financial statements of this company for the years ended 31 December 2012, 2013 and 2014 were audited by 惠州市安信會計師事務所有限公司.
- (viii) The statutory financial statements of this company for the years ended 31 December 2012, 2013 and 2014 were audited by 惠州天信會計師事務所有限公司.
- (ix) No audited financial statements were issued as there is no statutory audit requirement.
- (x) No audited financial statements were issued for the years ended 31 March 2013, 2014 and 2015 as this company was incorporated on 6 March 2015.

**(c) Basis of presentation**

The companies now comprising the Group, engaging in the Knitwear Business, were under common control of Controlling Shareholders, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Financial Information has been prepared on a combined basis.

The Financial Information has been prepared by including the financial information of the companies engaged in Knitwear Business, under the common control of Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the years/periods presented, or since the date when the combining companies first came under the control of Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Wong Ting Chun, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or disposed to a third party during each of the years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

The financial information of the Excluded Business is not included in the Financial Information, because (i) such business had historically been managed by separate management teams different from that of the Listing Business; (ii) such business were dissimilar from the Listing Business in terms of business risks and rewards, customer bases and content and had not formed part of the Group pursuant to the Reorganisation and (iii) such business had limited shared facilities and few inter or intra company transactions with the Listing Business.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments, which are carried at fair value.

The Financial Information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The Financial Information has been prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) throughout the Relevant Periods.

The preparation of Financial Information in conformity with HKFRSs 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 Financial Information are disclosed in note 4.

The following standards and amendments to existing standards have been published and are relevant to the Group, but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
HKAS 1 (Amendment)	Disclosure initiative <sup>1</sup>
HKAS 27 (Amendment)	Equity method in separate financial statements <sup>1</sup>

<sup>1</sup> Effective for accounting period beginning on or after 1 January 2016

<sup>2</sup> Effective for accounting period beginning on or after 1 January 2018

The Company is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

*New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s financial year ending on 31 March 2016. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the combined financial information in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622).

## 2.2 Subsidiaries

### 2.2.1 Consolidation

A subsidiary is an entity (including a 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.

(a) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration

transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statement.

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.

### **2.2.2 *Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results 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 information of the investee's net assets including goodwill.

## **2.3 Segment reporting**

Operating segments are 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 segments, has been identified as the Executive Director and senior management led by the Group's Chief Executive Officer ("C.E.O.") that makes strategic decisions.

## **2.4 Foreign currency translation**

### **(a) *Functional and presentation currency***

Items included in the financial statements 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 combined Financial Information are 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 or valuation where items are re-measured. 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 statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the combined income statement within "Other gains/(losses), net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.



Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement 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
- (c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## 2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 are charged to the combined income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and Buildings	2.5% to 4%
Leasehold improvements	5% to 20%
Plant and machinery	10% to 12.5%
Furniture, fixtures and other equipment	20%
Motor vehicles and yacht	20%

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 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses), net' in the combined income statement.

## 2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 44–50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of leases.

## 2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially recognised at cost and subsequently carries at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated using a straight-line method to allocated the depreciation amounts over the estimated useful lives, as follows:

Leasehold land	The remaining lease term
Buildings	2.5%

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. 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 2.8).

Gains and loss on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the combined income statement.

## 2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.9 Financial assets

### 2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

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 "trade and other receivables" and "cash and cash equivalents" in the combined balance sheet (Notes 2.14 and 2.15).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### **2.9.2 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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the combined income statement within 'Other gains/(losses), net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the combined income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined income statement as gains or losses on disposal of available-for-sale financial assets.

Dividends on available-for-sale equity instruments are recognised in the combined income statement as part of other income when the Group's right to receive payments is established. The fixed and determinable returns on debt instruments classified as available for sale are recognised in the combined income statement as part of "Other gains/(losses), net".

### **2.10 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet 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.

## 2.11 Impairment of financial assets

### (a) *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 category, 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 the asset is reduced and the amount of the loss is recognised in the combined income statement. If a loan or held-to-maturity investment 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 the combined income statement.

### (b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the combined income statement on equity instruments are not reversed through the combined income statement.

## 2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the combined income statement.

Derivative financial assets are classified as current assets if they are expected to be realised within 12 months after the balance sheet date. Derivative financial liabilities are classified as current liabilities if they are due to be settled within 12 months after the balance sheet date.

### **2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, 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.

### **2.14 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed 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 allowance for impairment.

### **2.15 Cash and cash equivalents**

In the combined statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### **2.16 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.17 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 pre-payment 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.

### 2.19 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.

### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined income statement, 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 balance sheet 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 informations. However, deferred 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 balance sheet 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 only 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.

## 2.21 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) *Pension obligations*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense 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.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) *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 balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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.

## 2.23 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and 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 customers, type of transactions and the specifics of each arrangement.

### (a) *Sales of goods*

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

### (b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

### (c) *Rental income*

Rental income is recognised on a straight-line basis over the period of the lease.

### (d) *Dividend income*

Dividend income is recognised when the right to receive the payment is established.

## 2.24 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 statement 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 statement 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.

### 2.25 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the company's financial statements in the period in which the dividends are approved by the company'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 risks: market risk (including foreign exchange risk and cash flow interest-rate risk), credit risk, liquidity risk and price risk. The Group's overall risk management programme focuses on the volatility of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures occasionally.

#### (a) Foreign exchange risk

The Group mainly operates in Hong Kong, Mainland China and Vietnam with majority of the transactions settled in HK\$, Chinese Renminbi ("RMB") and US dollar ("US\$"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to RMB, Japanese Yen ("JPY") and US\$. Since HK\$ is pegged with US\$, management is of the opinion that the foreign exchange risk arising from US\$ is insignificant.

As at 31 March 2013, 2014 and 2015, the Group also had certain outstanding forward foreign currency contracts to sell US\$ and purchase RMB, details of which are further presented in note 21. If US\$ has weakened/strengthened against RMB at the date of settlement by 5% compared with that at the balance sheet date, with all other variables constant, the profit before tax for the year would have been approximately HK\$5,933,000/HK\$16,987,000, HK\$188,276,000/HK\$114,971,000 and HK\$67,787,000/HK\$41,150,000 higher/lower. There were no outstanding forward foreign currency contracts as at 30 September 2015.

As at 31 March 2013, 2014 and 2015 and 30 September 2015, certain bank balances and deposits as detailed in note 23 are denominated in RMB. If HK\$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year/period would have been approximately HK\$1,205,000, HK\$561,000, HK\$1,422,000 and HK\$980,000 higher/lower, respectively.

#### (b) Cash flow interest-rate risk

The Group has no significant interest-bearing assets except for bank deposits, details of which are disclosed in note 23. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which are disclosed in note 24. Borrowings are all carried at floating rates which expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2013, 2014, 2015 and 30 September 2015 if the interest rates on borrowings had been 50 basis points higher/lower, with all other variables held constant, the profit before tax for the year/period would have been approximately HK\$4,107,884, HK\$3,627,315, HK\$4,496,000 and HK\$3,039,000 lower/higher, mainly as a result of higher/lower interest expense on floating-rate borrowings.

(c) *Credit risk*

As at 31 March 2013, 2014, 2015 and 30 September 2015, all the bank balances and deposits as detailed in note 23 are held with major financial institutions located in Hong Kong, Mainland China and Vietnam which the directors believe are of high credit quality. The directors do not expect any losses arising from non-performance by these counterparties.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers, taking into account their financial position, past experience and other factors. The Group's credit sales are generally on credit terms within 60 days. Normally the Group does not require collaterals from trade debtors. As at 31 March 2013, 2014, 2015 and 30 September 2015, the Group's largest debtor accounted for 50%, 34%, 39% and 41% of the Group's total trade receivables, respectively. The existing debtors have no significant default in the past. The Group's historical experience in collection of receivables generally falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made. The directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and dividend. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank and other borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	<b>On demand</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>At 30 September 2015</b>					
Trade and bills payables	—	179,166	—	—	179,166
Accruals and other payables	—	62,303	—	—	62,303
Short-term bank borrowings	—	499,496	—	—	499,496
Long-term bank borrowings not subject to a repayment on demand clause	—	73,573	68,590	33,943	176,106
Long-term bank borrowings subject to a repayment on demand clause	—	210,425	92,148	177,119	479,692
Finance lease obligations	—	17,682	33,899	38,293	89,874
	<u>—</u>	<u>1,042,645</u>	<u>194,637</u>	<u>249,355</u>	<u>1,486,637</u>
<b>At 31 March 2015</b>					
Trade and bills payables	—	141,002	—	—	141,002
Accruals and other payables	—	34,455	—	—	34,455
Short-term bank borrowings	—	278,278	—	—	278,278
Long-term bank borrowings not subject to a repayment on demand clause	—	62,593	43,405	15,326	121,324
Long-term bank borrowings subject to a repayment on demand clause	—	116,150	119,556	206,351	442,057
Finance lease obligations	—	19,789	16,233	68,963	104,985
	<u>—</u>	<u>652,267</u>	<u>179,194</u>	<u>290,640</u>	<u>1,122,101</u>
<b>At 31 March 2014</b>					
Trade and bills payables	—	130,816	—	—	130,816
Accruals and other payables	—	34,438	—	—	34,438
Short-term bank borrowings	—	532,157	—	—	532,157
Long-term bank borrowings not subject to a repayment on demand clause	—	25,025	24,453	6,024	55,502
Long-term bank borrowings subject to a repayment on demand clause	—	63,987	29,317	17,048	110,352
Finance lease obligations	—	24,047	3,842	—	27,889
Finance lease obligations subject to a repayment on demand clause	—	3,812	—	—	3,812
Amount due to a related company	35,875	—	—	—	35,875
	<u>35,875</u>	<u>814,282</u>	<u>57,612</u>	<u>23,072</u>	<u>930,841</u>

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2013					
Trade and bills payables	—	156,619	—	—	156,619
Accruals and other payables	—	63,513	—	—	63,513
Short-term bank borrowings	—	456,738	—	—	456,738
Long-term bank borrowings subject to a repayment on demand clause	—	76,913	63,473	46,225	186,611
Finance lease obligations	—	48,387	24,008	3,827	76,222
Finance lease obligations subject to a repayment on demand clause	—	37,359	—	—	37,359
Amount due to a related company	47,720	—	—	—	47,720
	<u>47,720</u>	<u>839,529</u>	<u>87,481</u>	<u>50,052</u>	<u>1,024,782</u>

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings according to the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows as at 31 March 2013, 2014, 2015 and 30 September 2015.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>
	HK\$'000	HK\$'000
As at 30 September 2015		
Derivative financial instruments		
— outflow	—	—
— inflow	—	—
	<u>—</u>	<u>—</u>
At 31 March 2015		
Derivative financial instruments		
— outflow	1,565,500	—
— inflow	1,549,280	—
	<u>1,565,500</u>	<u>—</u>
At 31 March 2014		
Derivative financial instruments		
— outflow	2,629,501	1,462,640
— inflow	2,596,736	1,438,508
	<u>2,629,501</u>	<u>1,462,640</u>
At 31 March 2013		
Derivative financial instruments		
— outflow	562,394	—
— inflow	574,368	—
	<u>562,394</u>	<u>—</u>

As at 31 March 2013, 2014, 2015 and 30 September 2015, certain subsidiaries have provided guarantees to certain banks in respect of banking facilities granted by the banks to the subsidiaries. In addition, one subsidiary has provided an unlimited guarantee to a bank in respect of certain banking facilities granted by the bank to certain subsidiaries. As at 31 March 2013, 2014, 2015 and 30 September 2015, the

total banking facilities utilised by the Company and other relevant companies in the aggregate under these guarantees amounted to approximately HK\$731,097,000, HK\$717,837,000, HK\$806,222,000, and HK\$1,126,366,000, respectively.

(e) *Price risk*

The Group is exposed to price risk arising from its investments in equity securities which are classified on the combined balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its investment portfolio.

The equity securities invested by the Group are publicly traded in the Hong Kong Stock Exchange.

At 31 March 2013, 2014, 2015 and 30 September 2015, the impact of the fluctuation in the price of the equity securities invested by the Group on the Group's equity would not be significant.

The fair value of the unlisted investments will fluctuate, subject to the returns which are at the discretion of the issuer of the investments. Such policies have a minimum guaranteed returns during the holding period. Management is of the opinion that the price risk arising from this policy is insignificant.

### 3.2 Fair value estimation

The carrying amounts of the Group's financial assets including bank balances and cash, deposits, receivables amounts due from related companies, and amounts due from shareholders; and financial liabilities including payables, amounts due to related companies, and bank borrowings approximate their fair values due to their short maturities. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are 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 following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2013, 2014, 2015 and 30 September 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 September 2015				
Assets				
Available-for-sale financial assets				
— Listed securities	302	—	—	302
— Unlisted investments	<u>—</u>	<u>—</u>	<u>156,821</u>	<u>156,821</u>
	<u>302</u>	<u>—</u>	<u>156,821</u>	<u>157,123</u>
As at 31 March 2015				
Assets				
Available-for-sale financial assets				
— Listed securities	333	—	—	333
— Unlisted investments	<u>—</u>	<u>—</u>	<u>154,157</u>	<u>154,157</u>
	<u>333</u>	<u>—</u>	<u>154,157</u>	<u>154,490</u>
Liabilities				
Derivative financial liabilities	<u>—</u>	<u>41,618</u>	<u>—</u>	<u>41,618</u>
As at 31 March 2014				
Assets				
Derivative financial assets	—	3,030	—	3,030
Available-for-sale financial assets				
— Listed securities	259	—	—	259
— Unlisted investments	<u>—</u>	<u>—</u>	<u>115,997</u>	<u>115,997</u>
	<u>259</u>	<u>3,030</u>	<u>115,997</u>	<u>119,286</u>
Liabilities				
Derivative financial liabilities	<u>—</u>	<u>86,077</u>	<u>—</u>	<u>86,077</u>
As at 31 March 2013				
Assets				
Derivative financial assets	—	5,467	—	5,467
Available-for-sale financial assets				
— Listed securities	3,940	—	—	3,940
— Unlisted investments	<u>—</u>	<u>—</u>	<u>110,952</u>	<u>110,952</u>
	<u>3,940</u>	<u>5,467</u>	<u>110,952</u>	<u>120,359</u>
Liabilities				
Derivative financial liabilities	<u>—</u>	<u>4,236</u>	<u>—</u>	<u>4,236</u>

There were no transfers among levels 1, 2 and 3 during the year/period.

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as available-for-sale financial assets.

**(b) Financial instruments in level 2**

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 maximise 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.

**(c) Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table represents the changes in level 3 instruments for the years ended 31 March 2013, 2014, 2015 and six months period ended 30 September 2014 and 2015:

	As at 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year/ period	94,995	110,952	115,997	115,997	154,157
Additions	11,994	—	63,018	—	—
Disposals	—	—	(30,059)	—	—
Net gains on investments	3,963	5,045	5,201	1,532	2,664
End of the year/period	<u>110,952</u>	<u>115,997</u>	<u>154,157</u>	<u>117,529</u>	<u>156,821</u>

These unlisted investments in level 3 represent unlisted key management insurance policies. Their fair value is determined by reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration is also placed on the pattern of crystallising the contracts and surrender charges, if any.

### 3.3 Capital risk 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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to shareholder, issue new shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including finance lease obligations) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the combined balance sheet, plus net debt.

The gearing ratios at 31 March 2013, 2014, 2015 and 30 September 2015 were as follows:

	<u>As at 31 March</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
				<u>HK\$'000</u>
Total borrowings	749,483	724,899	907,380	1,213,515
Less: cash and cash equivalents	<u>(258,323)</u>	<u>(305,887)</u>	<u>(333,740)</u>	<u>(381,410)</u>
Net debt	491,160	419,012	573,640	832,105
Total equity	<u>1,144,409</u>	<u>1,168,546</u>	<u>1,121,335</u>	<u>1,110,976</u>
Total capital	<u>1,635,569</u>	<u>1,587,558</u>	<u>1,694,975</u>	<u>1,943,081</u>
Gearing ratio	<u>30.03%</u>	<u>26.39%</u>	<u>33.84%</u>	<u>42.82%</u>

The decrease in gearing ratio from 30.03% as at 31 March 2013 to 26.39% as at 31 March 2014 was primarily due to a decrease in total borrowings. The increase in gearing ratio from 26.39% as at 31 March 2014 to 33.84% as at 31 March 2015 and from 33.84% as at 31 March 2015 to 42.82% as at 30 September 2015 was primarily due to the increase in total borrowings in line with the development of the Vietnam Factory.



**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements used in preparing financial statements 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 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 year are discussed below.

**(a) Useful lives, residual values and depreciation of property, plant and equipment**

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different from those previously estimated. 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.

**(b) Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the combined income statement.

**(c) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimates at each balance sheet date.

**(d) Impairment of financial assets**

The Group's management determines the provision for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

**(e) Valuation of available-for-sale financial assets and amortisation period of prepayments for insurance premium**

The fair value of available-for-sale financial assets which primarily represent unlisted key management insurance policies that are not traded in an active market is determined by reference to the expected return from such policies which in turn is mainly derived from the financial performance and market price of the underlying portfolio.

The management of the Group determines the estimated amortisation period of prepayments for insurance premium for the unlisted key management insurance policies, with reference to the estimated years that the Group intends to hold the investments. Management will revisit the amortisation charge where holding period is different from those previously estimated. Periodic review could result in a change in amortisation period and therefore amortisation charges in the future years.

**(f) Current and deferred income tax**

The Group is subject to income taxes in Hong Kong, Mainland China and Vietnam. Judgement is required in determining the provision for income taxes in different jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group operates mainly in Hong Kong, Mainland China and Vietnam and has transactions with customers and suppliers in different countries. The Group's inter-company transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over the Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. The Group also recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes may be due. 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.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

**(g) Fair value of derivative financial instruments**

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the balance sheet date. The valuation models require the input of subjective assumptions, including forward foreign exchange rates, risk free rates and market volatility. Changes in subjective input assumptions can materially affect the fair value estimate.

## 5 SEGMENT INFORMATION

During the year, the Group has principally engaged in the manufacturing of knitwear products.

The Group has been operating in a single operating segment, i.e. manufacturing of knitwear products.

The chief operating decision-makers have been identified as the Executive Director and senior management led by the Group's Chief Executive Officer. The Executive Director and senior management review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

The Board assesses the performance of the operating segment based on a measure of profit before income tax.

## (a) Revenue by location of goods delivery

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Japan	1,007,163	888,876	929,463	502,121	611,648
North America	760,193	777,696	812,150	544,638	543,141
Europe	387,474	311,638	357,494	273,589	291,010
China	140,891	133,313	171,066	111,386	122,731
Other countries	247,084	210,742	297,494	194,262	187,902
	<u>2,542,805</u>	<u>2,322,265</u>	<u>2,567,667</u>	<u>1,625,996</u>	<u>1,756,432</u>

## (b) Non-current assets

	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	69,135	35,468	51,939	48,116
Mainland China	934,530	830,479	666,579	575,930
Vietnam	—	—	242,268	245,633
	<u>1,003,665</u>	<u>865,947</u>	<u>960,786</u>	<u>869,679</u>

The non-current asset information above is based on the location of the assets and excludes deferred income tax assets, available-for-sale financial assets and derivative financial instruments.

## (c) Major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	As at 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A	1,392,661	1,161,115	1,341,695	769,330	875,239
Customer B	547,939	545,681	583,101	468,853	473,188
Customer C	290,468	291,925	289,980	156,790	139,426

Our five largest customers accounted for approximately 95.3%, 93.1%, 92.3%, 91.9% and 92.7% respectively of our revenue for each of the three years ended 31 March 2013, 2014 and 2015 and each of the six months ended 30 September 2015 and 2014.

## 6 OTHER INCOME

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Sample sales income	20,497	16,508	16,780	9,257	6,347
Rental income from investment properties	636	706	720	360	384
Rental income from properties occupied by employees	1,985	1,495	1,502	827	355
Dividend income from listed available-for-sale financial assets	529	112	15	6	3
Others	3,758	5,598	1,600	191	575
	<u>27,405</u>	<u>24,419</u>	<u>20,617</u>	<u>10,641</u>	<u>7,664</u>

## 7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Advertising and promotion expenses	4,928	7,071	4,993	3,024	5,169
Amortisation of land use rights (Note 14)	492	492	1,038	444	588
Auditor's remuneration					
— audit services	1,671	2,162	1,816	900	1,000
— non-audit services	150	125	210	—	—
Depreciation (Note 15)					
— owned property, plant and equipment	75,708	155,907	172,059	86,044	86,555
— property, plant and equipment held under finance leases	95,484	17,619	1,199	600	200
Depreciation of investment properties (Note 16)	82	82	121	54	67
Employment benefit expenses (including directors' emoluments) (Note 9)	446,748	452,685	492,661	254,514	337,388
Trading merchandise, raw materials and consumables used	974,412	802,427	982,619	617,293	665,189
Changes in inventories of finished goods and work-in-progress	(63,693)	32,945	20,176	99,522	80,450
Provision for/(reversal of) impairment of inventories	6,736	8,740	9,885	4,904	(4,203)
Subcontracting charges	396,814	324,496	346,210	206,407	235,772
Commission expenses	8,313	6,637	5,131	2,721	3,127
Transportation charges	12,812	13,697	16,558	9,824	9,086
Entertainment	13,265	11,068	10,583	4,250	4,868
Sample charges	16,322	10,654	15,837	6,628	8,043
Donations	4,916	6,714	4,159	3,471	3,136
Operating lease rental in respect of land and buildings	614	518	438	218	218
Listing expenses	—	—	1,614	—	14,923
Others	156,722	172,455	194,498	97,607	114,612
Total cost of sales, selling and distribution expenses and general and administration expenses	<u>2,152,496</u>	<u>2,026,494</u>	<u>2,281,805</u>	<u>1,398,425</u>	<u>1,566,188</u>

## 8 OTHER GAINS/(LOSSES), NET

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Realised and unrealised gains/ (losses) from derivative financial instruments	14,007	(49,884)	26,475	19,610	(12,316)
Net foreign exchange (losses)/gains	(7,924)	(13,694)	(4,516)	(3,925)	7,395
Net gains on disposals of available- for-sale financial assets	4,639	69	—	—	—
Net gains on investments ( <i>Note 17</i> )	3,963	5,045	5,201	1,532	2,664
Net gains on disposals of property, plant and equipment	1,026	243	482	231	105
Others	(27)	—	—	—	(1)
	<u>15,684</u>	<u>(58,221)</u>	<u>27,642</u>	<u>17,448</u>	<u>(2,153)</u>

## 9 EMPLOYMENT BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

Employment benefit expenses, including directors' emoluments, consist of:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages, salaries, commission, allowances and bonus	434,813	440,298	476,525	249,750	309,743
Welfare and other benefits	5,050	4,013	5,374	1,242	781
Pension costs — defined contribution plans	<u>6,885</u>	<u>8,374</u>	<u>10,762</u>	<u>3,522</u>	<u>26,864</u>
	<u>446,748</u>	<u>452,685</u>	<u>492,661</u>	<u>254,514</u>	<u>337,388</u>

## (a) Pension costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join certain Mandatory Provident Fund Schemes (the "MPF Schemes"), defined contribution schemes managed by independent trustees. Under the MPF Schemes, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK\$1,250 in 2013 and HK\$1,500 from 1 June 2014 onwards, and thereafter contributions are voluntary. The Group has no further obligations for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement schemes for certain of its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 3% to 11% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 10% to 30% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group participates in a retirement scheme for qualified employees of its subsidiary in Vietnam. Under the retirement scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 10.5% of the relevant income (comprising wages and salaries). The monthly contributions of each of the employer and the employee are subject to a cap of HK\$8,860 (equivalent to 23 million of Vietnamese Dongs). The Group has no further obligations for post-retirement benefits beyond the contributions.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

**(b) Directors' and chief executive's emoluments**

The remuneration of every director and the chief executive for the six months ended 30 September 2015 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Wong Ting Chung (Chairman and chief executive)	—	2,100	—	—	9	2,109
Mr. Wong Ting Chun	—	1,483	—	—	9	1,492
Mr. Li Po Sing	—	1,050	—	—	9	1,059
Ms. Chan Mei Hing, Aurora	—	630	—	—	9	639
Mr. Wong Wai Wing, Raymond	—	820	—	—	9	829
Non-executive directors						
Mr. Wong Ting Kau	—	—	—	—	—	—
Mr. Wong Wai Yue	—	—	—	—	—	—
Mr. Lau Ka Keung	—	—	—	—	—	—
Mr. Tam Wai Hung, David	—	—	—	—	—	—
	—	6,083	—	—	45	6,128

The remuneration of every director and the chief executive for the six months ended 30 September 2014 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
Executive directors						
Mr. Wong Ting Chung (Chairman and chief executive)	—	2,100	—	—	9	2,109
Mr. Wong Ting Chun	—	1,483	—	—	9	1,492
Mr. Li Po Sing	—	700	—	—	9	709
Ms. Chan Mei Hing, Aurora	—	560	—	—	9	569
Mr. Wong Wai Wing, Raymond	—	—	—	—	—	—
Non-executive directors						
Mr. Wong Ting Kau	—	—	—	—	—	—
Mr. Wong Wai Yue	—	560	—	—	9	569
Mr. Lau Ka Keung	—	—	—	—	—	—
Mr. Tam Wai Hung, David	—	—	—	—	—	—
	—	5,403	—	—	45	5,448

The remuneration of every director and the chief executive for the year ended 31 March 2015 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Wong Ting Chung (Chairman and chief executive)	—	3,900	2,100	—	18	6,018
Mr. Wong Ting Chun	—	2,765	—	—	18	2,783
Mr. Li Po Sing	—	1,322	—	—	18	1,340
Ms. Chan Mei Hing, Aurora	—	1,040	—	—	18	1,058
Mr. Wong Wai Wing, Raymond	—	200	—	—	3	203
Non-executive directors						
Mr. Wong Ting Kau	—	—	—	—	—	—
Mr. Wong Wai Yue	—	880	—	—	15	895
Mr. Lau Ka Keung	—	—	—	—	—	—
Mr. Tam Wai Hung, David	—	—	—	—	—	—
	—	10,107	2,100	—	90	12,297



The remuneration of every director and the chief executive for the year ended 31 March 2014 is set out below:

<u>Name</u>	<u>Fees</u>	<u>Salary</u>	<u>Discretionary bonuses</u>	<u>Other benefits</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Wong Ting Chung (Chairman and chief executive)	—	3,900	2,100	—	15	6,015
Mr. Wong Ting Chun	—	2,765	—	—	15	2,780
Mr. Li Po Sing	—	1,300	—	—	15	1,315
Ms. Chan Mei Hing, Aurora	—	1,040	—	—	15	1,055
Mr. Wong Wai Wing, Raymond	—	—	—	—	—	—
Non-executive directors						
Mr. Wong Ting Kau	—	14	—	—	—	14
Mr. Wong Wai Yue	—	1,040	—	—	15	1,055
Mr. Lau Ka Keung	—	—	—	—	—	—
Mr. Tam Wai Hung, David	—	—	—	—	—	—
	—	10,059	2,100	—	75	12,234

The remuneration of every director and the chief executive for the year ended 31 March 2013 is set out below:

<u>Name</u>	<u>Fees</u>	<u>Salary</u>	<u>Discretionary bonuses</u>	<u>Other benefits</u>	<u>Employer's contribution to pension scheme</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors						
Mr. Wong Ting Chung (Chairman and chief executive)	—	3,900	1,100	—	15	5,015
Mr. Wong Ting Chun	—	2,765	—	—	15	2,780
Mr. Li Po Sing	—	1,300	—	—	15	1,315
Ms. Chan Mei Hing, Aurora	—	855	—	—	15	870
Mr. Wong Wai Wing, Raymond	—	1,300	—	—	15	1,315
Non-executive directors						
Mr. Wong Ting Kau	—	2,765	—	—	15	2,780
Mr. Wong Wai Yue	—	780	—	—	15	795
Mr. Lau Ka Keung	—	1,560	—	—	15	1,575
Mr. Tam Wai Hung, David	—	—	—	—	—	—
	—	15,225	1,100	—	120	16,445

**(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2013, 2014 and 2015 and six months period ended 30 September 2014 and 2015 include four, three, four, three and five directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one, two and one individuals during the years ended 31 March 2013, 2014 and 2015 and two and nil individuals during the six months ended 30 September 2014 and 2015, respectively are as follows:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Basic salaries and bonuses	2,600	3,935	2,787	2,030	—
Pension cost — defined contribution plans (Note 9(a))	15	30	18	18	—
	<u>2,615</u>	<u>3,965</u>	<u>2,805</u>	<u>2,048</u>	<u>—</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
Emolument bands					
Nil–HK\$1,000,000	—	—	—	1	—
HK\$1,000,001– HK\$1,500,000	—	1	—	1	—
HK\$2,500,001– HK\$3,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

No directors or any of the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or compensation for loss of office.

No directors or chief executive has waived or agreed to waive any emoluments during the Relevant Periods.

## 10 FINANCE EXPENSES, NET

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Finance income</b>					
Interest income from:					
— Bank deposits	590	969	1,756	343	360
— Loans to subcontractors	45	—	—	—	—
	<u>635</u>	<u>969</u>	<u>1,756</u>	<u>343</u>	<u>360</u>
<b>Finance expenses</b>					
Interest expense on:					
— Bank borrowings	(16,888)	(16,449)	(21,807)	(10,545)	(13,427)
— Finance lease obligations	(2,837)	(944)	(185)	(112)	(2,216)
Net exchange gains on financing activities	160	505	—	—	—
	<u>(19,565)</u>	<u>(16,888)</u>	<u>(21,992)</u>	<u>(10,657)</u>	<u>(15,643)</u>
Finance expenses — net	<u>(18,930)</u>	<u>(15,919)</u>	<u>(20,236)</u>	<u>(10,314)</u>	<u>(15,283)</u>

## 11 INCOME TAX EXPENSES

For the years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2014 and 2015, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year/period and the Group's subsidiaries in Mainland China are subject to the China Corporate Income Tax at a rate of 25% on estimated assessable profits.

The Group's subsidiary in Vietnam is subjected to business income tax ("BIT") at the rate of 20% on taxable income for the first 10 years from the commencement of operation. After the first 10 years from the commencement of operation, the subsidiary is subjected to BIT at the rate of 22% on taxable income. The subsidiary is exempted from BIT for the first 2 years from the first year of earning taxable profit and is eligible for a 50% reduction in the BIT rate in the 4 years thereafter. No profits tax has been provided for a subsidiary in Vietnam since it is exempted from BIT as mentioned above for the year ended 31 March 2014 and 2015 and six months ended 30 September 2014 and 2015.

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong profits tax					
— Current taxation	11,716	6,355	17,719	13,857	10,086
— Overprovision in prior years	(62)	—	(585)	—	—
— Additional tax charges for prior years	14,205	—	—	—	—
China corporate income tax	22,105	20,547	22,680	15,754	15,284
Deferred taxation relating to the origination and reversal of temporary differences ( <i>Note 26</i> )	(1,894)	(220)	725	170	(328)
	<u>46,070</u>	<u>26,682</u>	<u>40,539</u>	<u>29,781</u>	<u>25,042</u>

The difference between the actual income tax charged to the combined income statement and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	<u>414,468</u>	<u>246,050</u>	<u>313,885</u>	<u>245,346</u>	<u>180,472</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	95,297	57,386	69,170	61,371	42,843
Income not subject to tax	(318,998)	(268,813)	(302,583)	(233,282)	(184,603)
Expenses not deductible for tax purposes	255,607	238,150	272,937	201,505	165,715
Overprovision in prior years	(62)	—	(585)	—	—
Additional tax charges for prior years	14,205	—	—	—	—
Others	<u>21</u>	<u>(41)</u>	<u>1,600</u>	<u>187</u>	<u>1,087</u>
Income tax expense	<u>46,070</u>	<u>26,682</u>	<u>40,539</u>	<u>29,781</u>	<u>25,042</u>

**12 EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2014 and 2015 on a combined basis as disclosed in Note 1 above.

**13 DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation during the Relevant Periods.

Dividends during each of the years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2014 and 2015 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 2013, 2014 and 2015 and six months ended 30 September 2014 and 2015, after elimination of intra-group dividends. 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.

**14 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			As at 30 September	
	2013	2014	2015	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Held in Mainland China and Vietnam:					
Leases of between 10 to 50 years	19,303	18,811	48,792	45,431	
	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Beginning of the year/period	19,795	19,303	18,811	18,811	48,792
Additions	—	—	31,019	31,019	—
Less: Amortisation (Note 7)	(492)	(492)	(1,038)	(444)	(588)
Exchange difference	—	—	—	—	(2,773)
End of the year/period	19,303	18,811	48,792	49,386	45,431

Bank borrowings are secured by land use rights with carrying amounts of HK\$19,303,000, HK\$18,811,000, HK\$18,319,000 and HK\$17,420,000 as of 31 March 2013, 2014, 2015 and 30 September 2015, respectively.

## 15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and other equipment	Motor vehicles and yacht	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2012</b>							
Cost	506,322	32,210	1,332,715	14,039	35,597	—	1,920,883
Accumulated depreciation	(145,612)	(20,530)	(627,244)	(9,389)	(13,413)	—	(816,188)
Net book amount	<u>360,710</u>	<u>11,680</u>	<u>705,471</u>	<u>4,650</u>	<u>22,184</u>	<u>—</u>	<u>1,104,695</u>
<b>Year ended 31 March 2013</b>							
Opening net book amount	360,710	11,680	705,471	4,650	22,184	—	1,104,695
Additions	624	9	30,011	2,095	2,478	—	35,217
Disposals	(2,566)	—	—	—	(1,570)	—	(4,136)
Exchange difference	—	—	266	—	—	—	266
Depreciation (Note 7)	(20,149)	(1,681)	(141,300)	(1,966)	(6,096)	—	(171,192)
Closing net book amount	<u>338,619</u>	<u>10,008</u>	<u>594,448</u>	<u>4,779</u>	<u>16,996</u>	<u>—</u>	<u>964,850</u>
<b>At 31 March 2013</b>							
Cost	529,823	32,218	1,362,992	15,206	32,258	—	1,972,497
Accumulated depreciation	(191,204)	(22,210)	(768,544)	(10,427)	(15,262)	—	(1,007,647)
Net book amount	<u>338,619</u>	<u>10,008</u>	<u>594,448</u>	<u>4,779</u>	<u>16,996</u>	<u>—</u>	<u>964,850</u>
<b>Year ended 31 March 2014</b>							
Opening net book amount	338,619	10,008	594,448	4,779	16,996	—	964,850
Additions	8,614	1,468	17,281	1,119	5,695	—	34,177
Disposals	—	—	—	—	(192)	—	(192)
Exchange difference	—	—	(24)	—	—	—	(24)
Depreciation (Note 7)	(20,428)	(936)	(143,968)	(1,761)	(6,433)	—	(173,526)
Closing net book amount	<u>326,805</u>	<u>10,540</u>	<u>467,737</u>	<u>4,137</u>	<u>16,066</u>	<u>—</u>	<u>825,285</u>
<b>At 31 March 2014</b>							
Cost	538,437	33,686	1,355,351	16,325	34,697	—	1,978,496
Accumulated depreciation	(211,632)	(23,146)	(887,614)	(12,188)	(18,631)	—	(1,153,211)
Net book amount	<u>326,805</u>	<u>10,540</u>	<u>467,737</u>	<u>4,137</u>	<u>16,066</u>	<u>—</u>	<u>825,285</u>
<b>Year ended 31 March 2015</b>							
Opening net book amount	326,805	10,540	467,737	4,137	16,066	—	825,285
Additions	69,314	453	133,761	4,256	11,528	—	219,312
Disposals	—	—	—	—	(843)	—	(843)
Exchange difference	—	—	4,414	—	—	—	4,414
Depreciation (Note 7)	(20,659)	(802)	(142,437)	(1,831)	(7,529)	—	(173,258)
Closing net book amount	<u>375,460</u>	<u>10,191</u>	<u>463,475</u>	<u>6,562</u>	<u>19,222</u>	<u>—</u>	<u>874,910</u>
<b>At 31 March 2015</b>							
Cost	607,751	34,139	1,492,167	20,581	43,116	—	2,197,754
Accumulated depreciation	(232,291)	(23,948)	(1,028,692)	(14,019)	(23,894)	—	(1,322,844)
Net book amount	<u>375,460</u>	<u>10,191</u>	<u>463,475</u>	<u>6,562</u>	<u>19,222</u>	<u>—</u>	<u>874,910</u>

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and other equipment	Motor vehicles and yacht	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended</b>							
<b>30 September 2015</b>							
Opening net book amount	375,460	10,191	463,475	6,562	19,222	—	874,910
Additions	—	—	2,291	560	52	24,549	27,452
Disposals	—	—	—	—	(623)	—	(623)
Exchange difference	(14,417)	(350)	(10,229)	(257)	(96)	(1,464)	(26,813)
Depreciation (Note 7)	(11,160)	(340)	(70,739)	(1,022)	(3,494)	—	(86,755)
Closing net book amount	<u>349,883</u>	<u>9,501</u>	<u>384,798</u>	<u>5,843</u>	<u>15,061</u>	<u>23,085</u>	<u>788,171</u>
<b>At 30 September 2015</b>							
Cost	593,334	33,790	1,415,107	20,884	42,449	23,085	2,128,649
Accumulated depreciation	(243,451)	(24,289)	(1,030,309)	(15,041)	(27,388)	—	(1,340,478)
Net book amount	<u>349,883</u>	<u>9,501</u>	<u>384,798</u>	<u>5,843</u>	<u>15,061</u>	<u>23,085</u>	<u>788,171</u>
(Unaudited)							
<b>Six months ended</b>							
<b>30 September 2014</b>							
Opening net book amount	326,805	10,540	467,737	4,137	16,066	—	825,285
Additions	—	—	113,797	1,121	7,644	—	122,562
Disposals	—	—	—	—	(348)	—	(348)
Exchange difference	—	—	4,063	—	—	—	4,063
Depreciation (Note 7)	(10,252)	(409)	(71,299)	(846)	(3,838)	—	(86,644)
Closing net book amount	<u>316,553</u>	<u>10,131</u>	<u>514,298</u>	<u>4,412</u>	<u>19,524</u>	<u>—</u>	<u>864,918</u>
<b>At 30 September 2014</b>							
Cost	538,437	33,686	1,471,853	17,446	40,776	—	2,102,198
Accumulated depreciation	(221,884)	(23,555)	(957,555)	(13,034)	(21,252)	—	(1,237,280)
Net book amount	<u>316,553</u>	<u>10,131</u>	<u>514,298</u>	<u>4,412</u>	<u>19,524</u>	<u>—</u>	<u>864,918</u>

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation charged in combined income statement:					
— Cost of sales	161,560	164,554	161,810	81,651	81,049
— Administrative expenses	<u>9,632</u>	<u>8,972</u>	<u>11,448</u>	<u>4,993</u>	<u>5,706</u>
	<u>171,192</u>	<u>173,526</u>	<u>173,258</u>	<u>86,644</u>	<u>86,755</u>

As at 31 March 2013, 2014, 2015 and 30 September 2015, the net book value of plant and machinery under finance lease obligations amounted to approximately HK\$126,802,000, HK\$88,589,000, HK\$53,136,000 and HK\$107,014,000 respectively.

Land and buildings are primarily situated in Mainland China, Hong Kong and Vietnam.

Bank borrowings are secured by land and buildings and leasehold improvements with carrying amounts of HK\$307,370,000, HK\$295,915,000 and HK\$276,426,000 and HK\$256,714,000 as of 31 March 2013, 2014, 2015 and 30 September 2015, respectively (Note 24).

## 16 INVESTMENT PROPERTIES

	As of 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>At cost</b>					
Beginning of the year/period	2,574	2,492	2,410	2,410	2,550
Addition	—	—	261	261	—
Depreciation	(82)	(82)	(121)	(54)	(67)
End of the year/period	<u>2,492</u>	<u>2,410</u>	<u>2,550</u>	<u>2,617</u>	<u>2,483</u>
Cost	4,379	4,379	4,640	4,640	4,640
Accumulated depreciation	<u>(1,887)</u>	<u>(1,969)</u>	<u>(2,090)</u>	<u>(2,023)</u>	<u>(2,157)</u>
Net book amount	<u>2,492</u>	<u>2,410</u>	<u>2,550</u>	<u>2,617</u>	<u>2,483</u>

The fair values of the Group's investment properties as at 31 March 2013, 2014, 2015 and 30 September 2015 were HK\$15,000,000, HK\$18,500,000, HK\$20,000,000 and HK\$20,000,000, as determined by an independent professional valuation firm, RHL Appraisal Limited, on an open market basis.

Investment properties are situated in Hong Kong.

Depreciation expense of HK\$82,000, HK\$82,000, HK\$121,000, HK\$54,000 and HK\$67,000 for the years ended 31 March 2013, 2014, 2015 and six months period ended 30 September 2014 and 2015 has been included in 'general and administrative expenses' respectively.

Outgoings in respect of the investment properties amounted to HK\$nil, HK\$30,000, HK\$37,000, HK\$17,000 and HK\$17,000 for the years ended 31 March 2013, 2014 and 2015 and six months period ended 30 September 2014 and 2015, respectively.

## 17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As of 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale financial assets				
— Equity securities listed in Hong Kong, at fair value	3,940	259	333	302
— Unlisted investments, at fair value (Note)	<u>110,952</u>	<u>115,997</u>	<u>154,157</u>	<u>156,821</u>
	<u>114,892</u>	<u>116,256</u>	<u>154,490</u>	<u>157,123</u>

Note: Unlisted investments represent unlisted key management insurance contracts which are debt instruments classified as available for sale. Minimum returns are guaranteed under these contracts with upside variable returns and the respective fixed and determinable returns are recognised as part of "Other gains/(losses)". The portion allocated as insurance premium is recognised as prepayment and is amortised to the income statement based on the estimated years that the Group intends to hold such contracts.



Movement of the available-for-sale financial assets is as follows:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Beginning of the year	109,662	114,892	116,256	116,256	154,490
Additions	11,994	—	63,018	—	—
Disposals	(15,589)	(3,535)	(30,059)	—	—
Net gains on investments	3,963	5,045	5,201	1,532	2,664
Fair value gains/(losses) in other comprehensive income	4,862	(146)	74	15	(31)
End of the year	<u>114,892</u>	<u>116,256</u>	<u>154,490</u>	<u>117,803</u>	<u>157,123</u>

The maximum exposure to credit risk at the balance sheet date is the carrying value of available-for-sale financial assets.

Available-for-sale financial assets are denominated in the following currencies:

	As of 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$	110,952	115,997	154,158	156,821
HK\$	278	259	332	302
RMB	3,662	—	—	—
	<u>114,892</u>	<u>116,256</u>	<u>154,490</u>	<u>157,123</u>

## 18 INVENTORIES

	As of 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	99,381	167,179	135,828	90,728
Work-in-progress	344,565	366,909	332,845	161,010
Finished goods	67,173	3,144	7,148	98,533
	<u>511,119</u>	<u>537,232</u>	<u>475,821</u>	<u>350,271</u>

The cost of inventories recognised as expense and included in cost of sales in the combined income statement amounted to HK\$917,455,000, HK\$844,112,000, HK\$1,012,680,000, HK\$721,719,000 and HK\$741,436,000 for the years ended 31 March 2013, 2014, 2015 and six months ended 30 September 2014 and 2015, respectively.

## 19 TRADE RECEIVABLES

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Trade receivables	56,070	47,727	38,697	319,422

The carrying amounts of trade receivables are denominated in the following currencies:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
US\$	55,239	46,405	34,765	293,075
Others	831	1,322	3,932	26,347
	56,070	47,727	38,697	319,422

The Group grants credit periods to customers ranging from 0 to 60 days. At 31 March 2013, 2014, 2015 and 30 September 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Up to 3 months	55,552	46,922	35,830	318,382
3 to 6 months	305	538	1,809	660
Over 6 months	213	267	1,058	380
	56,070	47,727	38,697	319,422

As of 31 March 2013, 2014, 2015 and 30 September 2015, trade receivables of HK\$10,398,000, HK\$14,465,000, HK\$9,344,000 and HK\$34,798,000 were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Past due by:				
Up to 3 months	9,997	14,047	6,764	33,989
3 to 6 months	401	418	1,944	559
Over 6 months	—	—	636	250
	10,398	14,465	9,344	34,798

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The counterparties did not have significant default history.

## 20 PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSETS

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Prepayments for property, plant and equipment	—	7,265	17,198	16,382
Prepayments for subcontracting charges	2,100	952	2,000	—
Other prepayments ( <i>Note</i> )	31,177	37,855	40,820	46,998
Deposits	869	1,259	575	868
Other receivables	37,449	11,876	7,250	55,732
Other assets	1,682	1,682	1,682	1,682
	73,277	60,889	69,525	121,662
Less: Non-current portion	(17,020)	(19,441)	(34,534)	(33,594)
Current portion	56,257	41,448	34,991	88,068

*Note:* Other prepayments mainly consists of prepaid insurance premium for the key man insurance and prepayments for legal and professional fees incurred for the Listing.

## 21 DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2013		31 March 2014		31 March 2015		30 September 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forward foreign currency contracts	5,467	4,236	3,030	86,077	—	41,618	—	—
Less: non-current portion	(20)	(1,525)	—	(32,136)	—	—	—	—
Current portion	5,447	2,711	3,030	53,941	—	41,618	—	—

As at 31 March 2013, 2014 and 2015, the Group had outstanding forward foreign currency contracts to sell US\$ and purchase RMB. As at 31 March 2013, 2014, 2015 and 30 September 2015, the notional principal amounts of the outstanding contracts underlying the derivative financial assets were approximately HK\$95,750,000, HK\$591,465,000, HK\$nil and HK\$nil, respectively. As at 31 March 2013, 2014, 2015 and 30 September 2015, the notional principal amounts of the outstanding contracts underlying the derivative financial liabilities were approximately HK\$497,576,000, HK\$684,640,000, HK\$264,520,000 and HK\$nil, respectively.

## 22 AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from/to related companies are unsecured, non-interest bearing and repayable on demand.

The balances are mainly denominated in RMB and HK\$.

The carrying amounts of amounts due from/to related companies approximate their fair values.

## 23 PLEDGED BANK DEPOSITS, SHORT TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Cash and cash equivalents	258,323	305,887	333,740	381,410
Bank deposits with maturity over 3 months from date of deposits	1,272	1,306	—	—
Pledged bank deposits ( <i>Note 24(d)</i> )	7,875	8,069	8,242	—
	<u>267,470</u>	<u>315,262</u>	<u>341,982</u>	<u>381,410</u>

The weighted average effective interest rate on bank deposits, with maturity ranging from one week to six months, was 0.30% to 0.50%, 0.47% to 3.05%, 0.51% to 3.6% and 0.25% to 3.54% per annum for the years ended 2013, 2014 and 2015 and six months ended 30 September 2015.

Bank balances and cash are denominated in the following currencies:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
US\$	83,739	125,036	79,655	200,359
HK\$	95,607	142,637	146,460	126,994
RMB	84,965	44,831	106,141	49,550
Vietnamese Dong	—	—	7,558	2,626
Others	3,159	2,758	2,168	1,881
	<u>267,470</u>	<u>315,262</u>	<u>341,982</u>	<u>381,410</u>

## 24 BORROWINGS

## (a) Borrowings

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
<b>Non-current</b>				
Bank borrowings, secured	—	30,000	57,520	100,006
Finance lease obligations	27,456	3,828	85,196	70,800
	<u>27,456</u>	<u>33,828</u>	<u>142,716</u>	<u>170,806</u>
<b>Current</b>				
Short-term bank borrowings, secured	456,738	532,157	278,278	499,496
Portion of long-term bank borrowings, secured, due for repayment within one year	73,237	85,762	170,205	271,923
Portion of long-term bank borrowings, secured, due for repayment after one year which contain a repayment on demand clause ( <i>Note i</i> )	106,953	45,520	296,406	254,941
Portion of finance lease obligations due for repayment within one year	81,302	27,632	19,775	16,349
Portion of finance lease obligations due for repayment after one year which contain a repayment on demand clause ( <i>Note i</i> )	3,797	—	—	—
	<u>722,027</u>	<u>691,071</u>	<u>764,664</u>	<u>1,042,709</u>
Total borrowings	<u>749,483</u>	<u>724,899</u>	<u>907,380</u>	<u>1,213,515</u>

*Note i:* These amounts represent balances that are repayable at any time at the discretion of the lender in accordance to the respective facilities and are therefore classified as current liabilities.

The weighted average effective interest rates for the years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015 are as follows:

	Year ended 31 March			As at
	2013	2014	2015	30 September
				2015
Finance lease obligations	2.48%	1.25%	1.63%	1.70%
Bank borrowings	<u>2.64%</u>	<u>2.50%</u>	<u>2.94%</u>	<u>3.22%</u>

All the borrowings are wholly repayable within 5 years.

**(b) Bank borrowings**

The bank borrowings are due for repayment as follows:

	<b>As of 31 March</b>			<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>30 September</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>2015</b>
Within one year	529,975	617,919	448,483	771,419
Between one and two years	61,570	52,642	150,554	152,584
Between two and five years	45,383	22,878	203,372	202,363
	<u>636,928</u>	<u>693,439</u>	<u>802,409</u>	<u>1,126,366</u>

The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.

The carrying amounts of bank borrowings approximate their fair values as they bear market interest rates and are denominated in the following currencies:

	<b>As of 31 March</b>			<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>30 September</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>2015</b>
RMB	—	—	—	12,048
HK\$	368,502	369,000	566,818	806,235
US\$	268,426	318,268	232,167	304,935
JPY	—	6,171	3,424	3,148
	<u>636,928</u>	<u>693,439</u>	<u>802,409</u>	<u>1,126,366</u>

## (c) Finance lease obligations

The Group's finance lease obligations were analysed as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
<b>Current</b>				
Portion of finance lease obligations due for repayment within one year	81,302	27,632	19,775	16,349
Portion of finance lease obligations due for repayment after one year which contain a repayment on demand clause	3,797	—	—	—
	<u>85,099</u>	<u>27,632</u>	<u>19,775</u>	<u>16,349</u>
<b>Non-current</b>				
Finance lease obligations due for repayment after one year:				
Between one and two years	23,643	3,828	16,233	32,924
Between two and five years	3,813	—	68,963	37,876
	<u>27,456</u>	<u>3,828</u>	<u>85,196</u>	<u>70,800</u>

The finance lease obligations were due for repayment as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Gross finance lease obligations —				
minimum lease payments:				
Within one year	82,383	27,877	19,789	17,682
Between one and two years	27,769	3,842	16,233	33,899
Between two and five years	3,827	—	68,963	38,293
	113,979	31,719	104,985	89,874
Future finance charges on finance leases	(1,424)	(259)	(14)	(2,725)
Present value of finance lease obligations	<u>112,555</u>	<u>31,460</u>	<u>104,971</u>	<u>87,149</u>
Carrying value of finance lease obligations:				
Within one year	81,302	27,632	19,775	16,349
Between one and two years	27,440	3,828	16,233	32,924
Between two and five years	3,813	—	68,963	37,876
	<u>112,555</u>	<u>31,460</u>	<u>104,971</u>	<u>87,149</u>

The above amounts due are based on the schedule repayment dates set out in the relevant agreements and ignore the effect of any repayment on demand rights.

The carrying amount of finance lease obligations was denominated in the following currencies:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
US\$	84,865	7,062	104,971	87,149
JPY	18,372	—	—	—
HK\$	9,318	24,398	—	—
	<u>112,555</u>	<u>31,460</u>	<u>104,971</u>	<u>87,149</u>

(d) The following borrowings were drawn by the Group under secured banking facilities:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Bank borrowings	636,928	693,439	802,409	1,126,366
Finance lease obligations	<u>94,169</u>	<u>24,398</u>	<u>3,813</u>	<u>—</u>
	<u>731,097</u>	<u>717,837</u>	<u>806,222</u>	<u>1,126,366</u>

As at 31 March 2013, 2014, 2015 and 30 September 2015, the above borrowings are secured by land use rights amounting to HK\$19,303,000, HK\$18,811,000, HK\$18,319,000 and HK\$17,420,000 (Note 14); land and buildings and leasehold improvements with carrying amounts of HK\$307,370,000, HK\$295,915,000, HK\$276,426,000 and HK\$256,714,000 (Note 15); pledged deposits amounting to HK\$7,875,000, HK\$8,069,000, HK\$8,242,000 and HK\$nil (Note 23); corporate guarantees provided by some of the subsidiaries and personal guarantees from the directors of the Company.

The personal guarantees provided by Mr. Wong Ting Chun, Mr. Wong Ting Chung, Mr. Wong Ting Kau and Mr. Lau Ka Keung will be replaced by corporate guarantees provided by the Company upon listing.

## 25 TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

### (a) Trade and bills payables

Trade and bills payables are denominated in the following currencies:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
US\$	93,953	73,844	81,657	125,118
HK\$	56,951	50,968	48,901	43,394
Others	<u>5,715</u>	<u>6,004</u>	<u>10,444</u>	<u>10,654</u>
	<u>156,619</u>	<u>130,816</u>	<u>141,002</u>	<u>179,166</u>

The carrying amounts of the trade and bills payables approximate their fair values.



The ageing analysis of the trade payables based on invoice date was as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
within 1 month	115,587	74,473	93,828	84,511
1 to 2 months	30,047	47,529	31,072	70,462
2 to 3 months	7,771	8,814	15,132	24,137
over 3 months	3,214	—	970	56
	<u>156,619</u>	<u>130,816</u>	<u>141,002</u>	<u>179,166</u>

(b) Accruals and other payables

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Receipts in advance	2,662	4,216	1,403	225
Accrued subcontracting charges	42,842	8,972	10,585	13,924
Accrued salaries	43,843	42,734	46,049	54,645
Other accrued expenses	12,180	13,001	10,275	16,545
Other payables	11,526	15,323	17,278	34,420
	<u>113,053</u>	<u>84,246</u>	<u>85,590</u>	<u>119,759</u>

26 DEFERRED INCOME TAX

The analysis of deferred tax assets/(liabilities) is as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	<u>907</u>	<u>890</u>	<u>809</u>	<u>785</u>
	<u>907</u>	<u>890</u>	<u>809</u>	<u>785</u>
Deferred tax liabilities:				
— Deferred tax liability to be recovered after more than 12 months	<u>(445)</u>	<u>(208)</u>	<u>(852)</u>	<u>(500)</u>
	<u>(445)</u>	<u>(208)</u>	<u>(852)</u>	<u>(500)</u>
Deferred tax assets/(liabilities), net	<u>462</u>	<u>682</u>	<u>(43)</u>	<u>285</u>

The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>HK\$'000</b>
	<b>Accelerated tax depreciation</b>
Deferred tax liabilities:	
As at 1 April 2012	(2,356)
Credited to the combined income statement	<u>1,911</u>
As at 31 March 2013 and 1 April 2013	(445)
Credited to the combined income statement	<u>237</u>
As at 31 March 2014 and 1 April 2014	(208)
Charged to the combined income statement	<u>(644)</u>
As at 31 March 2015 and 1 April 2015	(852)
Credited to the combined income statement	<u>352</u>
As at 30 September 2015	<u><u>(500)</u></u>
	<b>(Unaudited)</b>
As at 1 April 2014	(208)
Charged to the combined income statement	<u>(162)</u>
As at 30 September 2014	<u><u>(370)</u></u>
	<b>Decelerated tax depreciation</b>
Deferred tax assets:	
As at 1 April 2012	924
Charged to the combined income statement	<u>(17)</u>
As at 31 March 2013 and 1 April 2013	907
Charged to the combined income statement	<u>(17)</u>
As at 31 March 2014 and 1 April 2014	890
Charged to the combined income statement	<u>(81)</u>
As at 31 March 2015 and 1 April 2015	809
Charged to the combined income statement	<u>(24)</u>
As at 30 September 2015	<u><u>785</u></u>
	<b>(Unaudited)</b>
As at 1 April 2014	890
Charged to the combined income statement	<u>(8)</u>
As at 30 September 2014	<u><u>882</u></u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$2,572,000, HK\$1,682,000, HK\$1,684,000 and HK\$1,684,000 as at 31 March 2013, 2014, 2015 and 30 September 2015 respectively in respect of losses amounting to HK\$10,286,000, HK\$6,727,000, HK\$6,736,000 and HK\$6,736,000 as at 31 March 2013, 2014, 2015 and 30 September 2015 respectively that can be carried forward against future taxable income and the losses are subject to expiry period of five years.

As at 31 March 2015 and 30 September 2015, deferred income tax liabilities of approximately HK\$10,000 and HK\$604,000 have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in Mainland China of approximately HK\$208,000 and HK\$12,071,000 respectively, as the director considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future. There was no unremitted earnings of subsidiaries in the PRC as at 31 March 2013 and 2014.

## **27 COMBINED CAPITAL**

The Reorganisation has not been completed as at 30 September 2015. For the purpose of this Financial Information, the combined capital in the combined statements of financial position as at 31 March 2013, 2014, 2015 and 30 September 2015 represents the combined capital the companies now comprising the Group after elimination of inter-company investments.

## **28 AMOUNTS DUE FROM SHAREHOLDERS**

The balances are unsecured, non-interest bearing and repayable on demand. The balances are denominated in HKD. The carrying amounts of amounts due from shareholders approximate their fair values.

## 29 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	414,468	246,050	313,885	245,346	180,472
Finance income	(635)	(969)	(1,756)	(343)	(360)
Finance expenses	19,565	16,888	21,992	10,657	15,643
Depreciation of property, plant and equipment	171,192	173,526	173,258	86,644	86,755
Depreciation of investment properties	82	82	121	54	67
Net gains on investments	(3,963)	(5,045)	(5,201)	(1,532)	(2,664)
Net gains on disposals of property, plant and equipment	(1,026)	(243)	(482)	(231)	(105)
Provision for/(reversal of) impairment of inventories	6,736	8,740	9,885	4,904	(4,203)
Net gains on disposals of available-for-sale financial assets	(4,639)	(69)	—	—	—
Dividend income from available-for-sales financial assets	(529)	(112)	(15)	(6)	(3)
Fair value (gains)/losses on derivative financial instruments	(2,173)	84,278	(41,429)	(23,173)	(41,618)
Amortisation of land use rights	492	492	1,038	444	588
Changes in working capital:					
Inventories	(49,999)	(34,853)	51,526	160,772	128,333
Trade receivables	(6,954)	8,343	9,030	(303,077)	(280,725)
Prepayments, deposits, other receivables and other assets	47,227	19,653	(5,950)	(14,566)	(54,173)
Trade and bills payables	(5,807)	(25,803)	10,186	11,744	38,164
Accruals and other payables	30,006	(35,281)	1,716	17,469	34,541
Net cash generated from operations	<u>614,043</u>	<u>455,677</u>	<u>537,804</u>	<u>195,106</u>	<u>100,712</u>

(b) In the combined statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net book amount ( <i>Note 15</i> )	4,136	192	843	348	623
Net gains on disposals of property, plant and equipment	<u>1,026</u>	<u>243</u>	<u>482</u>	<u>231</u>	<u>105</u>
Proceeds from disposals of property, plant and equipment	<u><u>5,162</u></u>	<u><u>435</u></u>	<u><u>1,325</u></u>	<u><u>579</u></u>	<u><u>728</u></u>

(c) Non-cash transactions:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Injection of share capital in form of machinery	23,714	4,647	353	353	—
Disposals of available-for-sale financial assets settled through amounts due from related companies	—	—	30,059	—	—
Capitalisation of shareholder's loan as equity contribution ( <i>Note</i> )	<u>—</u>	<u>—</u>	<u>100,000</u>	<u>—</u>	<u>—</u>

*Note:* Other reserves represent capitalisation of shareholder's loan as equity contribution which amounted to HK\$100,000,000.

### 30 COMMITMENTS

#### (a) Operating lease commitments

As at 31 March 2013, 2014, 2015 and 30 September 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	Year ended 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	192	141	112	102
Later than one year and not later than five years	<u>98</u>	<u>79</u>	<u>45</u>	<u>4</u>
	<u><u>290</u></u>	<u><u>220</u></u>	<u><u>157</u></u>	<u><u>106</u></u>

**(b) Operating lease arrangements**

At 31 March 2013, 2014, 2015 and 30 September 2015, the aggregate future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's investment properties are as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Within one year	106	240	120	264

**(c) Capital commitment**

At 31 March 2013, 2014, 2015 and 30 September 2015, the capital expenditure contracted but not yet incurred is as follows:

	As of 31 March			As at
	2013	2014	2015	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
Property, plant and equipment Contracted but not provided for	—	3,196	14,125	13,777

**31 RELATED PARTY TRANSACTIONS**

In addition to those disclosed elsewhere in the financial information, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

**(a) Transactions**

<u>Name of entities</u>	<u>Relationship with the Group</u>
Sunicon Apparel Ltd	Controlled by Controlling Shareholders, Mr. Wong Wai Wing, Raymond, executive director and Mr. Wong Wai Yue, non-executive director
Kings (H.K.) Health Food Limited	Controlled by Mr. Wong Ting Chung, Chairman and executive director
Jin Jia Zhuang (Huizhou) Health Food Limited	A wholly-owned subsidiary of Kings (H.K.) Health Food Limited
惠州港升置業有限公司	Controlled by Controlling Shareholders, Mr. Wong Wai Wing, Raymond, executive director, Mr. Wong Wai Yue, non-executive director and Mr. Lin Xiugao, the cousin of Mr. Wong Ting Chung, Chairman and executive director
Mr. Tam Wai Hung, David	Non-executive director
深圳市悦菲服飾有限公司	Controlled by Mr. Lin Guoxian, the cousin of Mr. Wong Ting Chung, Chairman and executive director
歐納菲(惠州)精品有限公司	Controlled by Mr. Lin Guoxian, the cousin of Mr. Wong Ting Chung, Chairman and executive director
Good Teamco (HK) Limited	Controlled by Controlling Shareholders, Mr. Wong Wai Wing, Raymond, executive director, Mr. Wong Wai Yue and Mr. Lau Ka Keung, non-executive directors

	Note	Year ended 31 March			Six months ended 30 September	
		2013	2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
Continuing transactions:						
Hotel services fee charged by 惠州港升置 業有限公司	(ii)	5,517	4,651	2,213	1,578	1,258
Consultancy fee charged by Mr. Tam Wai Hung, David	(ii)	833	1,000	1,000	500	500
Discontinued transactions:						
Advertising and promotion fee charged by Sunicon Apparel Ltd	(ii)	47	231	109	38	—
Advertising and promotion fee charged by Kings (H.K.) Health Food Limited	(ii)	—	—	159	—	435
Advertising and promotion fee charged by Jin Jia Zhuang (Huizhou) Health Food Limited	(ii)	265	250	686	—	—
Disposals of available-for-sale financial assets to Good Teamco (HK) Limited	(iii)	—	—	30,059	—	—
Sales of finished goods to 深圳市悦菲服飾 有限公司	(i)	1,139	301	312	—	—
Sales of finished goods to 歐納菲(惠州) 精品有限公司	(i)	—	77	672	274	—

## Notes:

- (i) Sales and purchases are made at prices mutually agreed by the relevant parties.
- (ii) Terms of services are mutually agreed between the relevant parties.
- (iii) The transfer of available for sale financial assets is made at the cash surrender value of date of transfer.

## (b) Year/period-end balances with related parties

Name of related parties	As at 31 March			As at 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from/(to) related parties				
(i) Nameson Holdings Limited	(47,720)	(35,875)	8,383	91,569
(ii) Sunicon Apparel Limited	125	—	—	—
(iii) Huizhou Nantai Knitting Factory	18,153	18,782	2,924	1,697

The maximum outstanding balances due from the related parties during the Relevant Periods are as follows:

	<u>As at 31 March</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
				<u>HK\$'000</u>
Amount due from Nameson Holdings Limited	—	—	8,383	91,569
Amount due from Sunicon Apparel Limited	125	125	—	—
Amount due from Huizhou Nantai Knitting Factory	18,153	18,782	18,782	2,924

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate to their fair values and are denominated in the following:

All non-trade balances due from/(to) related companies as at 30 September 2015 are expected to be fully settled before the Listing.

	<u>As at 31 march</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
				<u>HK\$'000</u>
<b>Amount due from related parties</b>				
HK\$	125	—	8,383	91,569
RMB	18,153	18,782	2,924	1,697
	<u>18,278</u>	<u>18,782</u>	<u>11,307</u>	<u>93,266</u>

**Amount due to a related party**

HK\$	47,720	35,875	—	—
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	<u>As at 31 March</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>30 September</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
				<u>HK\$'000</u>

**Amounts due from shareholders**

HK\$	220,396	335,512	366,128	472,736
Maximum outstanding balance	220,396	335,512	366,128	472,736



## (c) Key management compensation

Key management includes directors and head of sales and marketing departments and production department and sales director. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March			Six months ended 30 September	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	19,176	14,085	14,008	6,323	5,268
Bonuses	1,100	2,100	2,100	1,050	860
	<u>20,276</u>	<u>16,185</u>	<u>16,108</u>	<u>7,373</u>	<u>6,128</u>

## 32 SUBSEQUENT EVENTS

- (i) On 21 March 2016, the Group completed the Reorganisation (Note 1(b)).
- (ii) The outstanding balances of the amounts due from shareholders and related companies of the Group amounted to HK\$566,002,000 as at 30 September 2015. Conditional upon the Stock Exchange granting an in-principle approval for the Listing and the Board proceeding with the Listing, part of these balances have been settled by way of (i) special dividends of HK\$442,000,000 declared by Nameson Group to the relevant parties; and (ii) return of shareholder's contribution (which is accounted as equity) of HK\$100,000,000.

## II FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 11 August 2015. As at 30 September 2015, the Company had other payables balance of HK\$139,000. Except for this, it had no other assets, liabilities or distributable reserves as at that date.

## 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 30 September 2015 and up to the date of this report. Save as disclosed in Note 32, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2015.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
 Hong Kong

The information sets out in this Appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set out in Appendix I to this prospectus.

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to provide further information on how the financial information of our Group might be affected by the completion of the Global Offering as if the Global Offering had been completed on 30 September 2015

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of Nameson Holdings Limited which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 September 2015. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of Nameson Holdings Limited had the Global Offering been completed as at 30 September 2015 or at any future date.

	Pro forma adjustments				Unaudited pro forma adjusted net tangible assets attributable to owners of our Company as at 30 September 2015	Unaudited pro forma adjusted net tangible assets per Share <sup>(5)</sup>
	Audited combined net tangible assets attributable to owners of our Company as at 30 September 2015 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Completion of the Reorganisation <sup>(3)</sup>	Settlement of amounts due from shareholders and related companies <sup>(4)</sup>		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$1.03 per Share	1,110,976	483,324	6,834	(542,000)	1,059,134	0.53
Based on an Offer Price of HK\$1.33 per Share	1,110,976	629,574	6,834	(542,000)	1,205,384	0.60

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 30 September 2015 has been extracted from the Accountant's report of our Company as set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to owners of our Company as at 30 September 2015 of HK\$1,110,976,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$1.03 per Share and HK\$1.33 per Share, respectively, after deduction of the underwriting fees (without taking into account any additional discretionary incentive fee) and other related expenses payable by our Company subsequent to 30 September 2015 (excluding listing expenses of approximately HK\$16,537,000 which have been charged to

the income statement before 30 September 2015). No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

- (3) In preparation for the Global Offering, the Group immediately prior to Listing will undergo the Reorganisation pursuant to various agreements as set out under the heading of “History, Reorganisation and Corporate Structure” of the Prospectus. The adjustment represents net effects of certain transactions of the Reorganisation, which are completed after 30 September 2015, assuming that all the transactions under the Reorganisation had been completed on 30 September 2015, details of which are as follows:
- (i) The disposal of an industrial premise with net book value of HK\$5,166,000 as of 30 September 2015 for a cash consideration of HK\$104,000,000, resulting in a gain of HK\$98,834,000 to the Group and consequentially a cash dividend of HK\$90,000,000 declared by the Group.
  - (ii) Cash consideration of HK\$2,000,000 payable to the Controlling Shareholders in connection with the acquisition of Bonny Limited by the Group.

Details of the Reorganisation mentioned above are set out on pages 94 to 105 of this prospectus under the heading of “History, Reorganisation and Corporate Structure” in this prospectus.

- (4) The outstanding balances of the amounts due from shareholders and related companies of the Group amounted to 566,002,000 as at 30 September 2015. Conditional upon the Stock Exchange granting an in-principle approval for the Listing and the Board proceeding with the Listing, part of these balances have been settled by way of (i) special dividends of HK\$442,000,000 declared by Nameson Group to the relevant parties; and (ii) return of shareholder’s contribution (which is accounted as equity) of HK\$100,000,000. No adjustment has been made to reflect other movement on the outstanding balances subsequent to 30 September 2015.
- (5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 2,000,000,000 Shares were in issue assuming that shares to be issued pursuant to the Global Offering had been completed on 30 September 2015 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (6) No adjustment has been made to reflect any trading result, or other transaction of our Group entered into subsequent to 30 September 2015.
- (7) By comparing the valuation of our Group’s property interests of HK\$716,786,000 as set out in Appendix III to this Prospectus and the unaudited net book value of these properties as of 31 December 2015, the net revaluation surplus is approximately HK\$422,603,000, which has not been included in the above net tangible assets attributable to equity holders of the Company as of 30 September 2015. The revaluation of the Group’s property interests will not be incorporated in the Group’s financial information. If the revaluation surplus is to be included in the Group’s financial information, an additional depreciation charge of approximately HK\$26,234,000 per annum relating to the property interests would be recorded.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, 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 Nameson Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nameson 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 net tangible assets of the Group as at 30 September 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 March 2016, 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 30 September 2015 as if the proposed initial public offering had taken place at 30 September 2015. 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 six months ended 30 September 2015, 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").

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*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 requirement 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 30 September 2015 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 Accountants*

Hong Kong, 30 March 2016

*The following is the text of letter and valuation certificate, prepared for the purpose of incorporation in this prospectus, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 31 December 2015 of the property interests held by the Group in the People's Republic of China.*

**Vigers Appraisal & Consulting Limited  
International Asset Appraisal Consultants**

10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong

30 March 2016

The Directors  
Nameson Holdings Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

Dear Sirs,

**Re: Valuation of an industrial complex located at No. 8 Long He Road East, Shui Kou Road Subdistrict, Huicheng District, Huizhou, Guangdong Province in the PRC (the "Property")**

In accordance with the instruction from you to value the Property held by Nameson Holdings Limited (hereafter referred to as the "Company") and its subsidiaries (together referred to as the "Group") in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at the 31 December 2015 ("date of valuation") for the purpose of incorporation into the prospectus issued by the Company on the date hereof.

Our valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the Property, we have adopted a combination of the market and depreciated replacement cost approaches in assessing the land portion of the Property and the buildings and structures standing on the land respectively. The sum of the two results represents the market value of the Property as a whole. In the valuation of the land portion, reference has been made to the

sales comparables in the locality. Due to the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the Property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

The land portion of the Property is freely transferable together with the residual term of its land use rights to any third party (both overseas and domestic) in the open market at no extra land use rights grant premium and other onerous charges payable to the government authorities and with the benefit of vacant possession.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC for the Property located in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Company’s legal adviser as to PRC laws, Allbright Law Offices (the “PRC Legal Adviser”) regarding the title to and the interest in the property interests.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the Property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the Property, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the Property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.



We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the site areas shown on the documents and official site plans handed to us are correct nor have we conducted any investigation on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. No on-site measurements have been taken.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interest, we have complied with all the requirements set out in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (the “RICS”) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interests in the PRC as at 31 December 2015 were HK\$1: RMB0.84. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong dollars between that date and the date of this letter.

We enclose herewith a valuation certificate.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor (GP)*  
**MRICS MHKIS MSc(e-com)**  
**China Real Estate Appraiser**  
*Managing Director*

*Note:* Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty six years’ experience in undertaking valuations of properties in Hong Kong and has over twenty three years’ experience in valuations of properties in the PRC, Taiwan, Macau and the Asia-Pacific region. Raymond joined Vigers in 1989.

## VALUATION CERTIFICATE

## Property held for owner occupation

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 December 2015</u>
An industrial complex located at No. 8 Long He Road East, Shui Kou Road Subdistrict, Huicheng District, Huizhou, Guangdong Province in the PRC	<p>The property comprises a parcel of land together with 16 buildings completed in between 2000 and 2009 erected thereon.</p> <p>The property has a site area of approximately 365,700 sq.m. and total gross floor area of approximately 350,315.09 sq.m..</p> <p>The land use rights of the property were granted for a term expiring on 23 December 2051 for industrial use.</p>	<p>A portion of Factory 2, Factory 3, Factory 5 and Factory 6 are rented out to various companies within the listed group with the latest term being expired on 2 March 2026 at no rental consideration for factory use. The remaining portion of the property is occupied by the Group for factory and dormitory uses.</p>	<p>RMB602,100,000</p> <p>(equivalent to approximately HK\$716,786,000)</p>

*Notes:*

- Pursuant to a state-owned land use rights certificate (document number: Hui Fu Guo Yong (2012) Di No. 13021700013), the land use rights of the property with a site area of approximately 365,700 sq.m. were granted to Huizhou Nanxuan Knitting Factory Limited (惠州南旋毛織廠有限公司) (hereafter referred to as the "Nanxuan Knitting") for a term expiring on 23 December 2051 for industrial use.

2. Pursuant to 16 building ownership certificates, the ownership of building portion with a total gross floor area of approximately 350,315.09 sq.m. is vested in Nanxuan Knitting. The particulars of the buildings are as follows:

<b>No.</b>	<b>Building</b>	<b>Gross Floor Area (sq.m.)</b>	<b>No. of storey</b>	<b>Year of completion</b>	<b>Real Estate Ownership Certificate (Document No. Yue Fang Di Quan Zheng Hui Zhou Zi Di No.)</b>
1	Quarter A	23,933.52	6	2000	1100120900
2	Quarter B	23,933.52	6	2000	1100120899
3	Quarter C	23,933.52	6	2000	1100120898
4	Quarter D	23,933.52	6	2000	1100120897
5	Quarter E	23,933.52	6	2000	1100120896
6	Quarter F	6,872.98	8	2005	1100120895
7	Quarter G	7,840.61	9	2004	1100120894
8	Quarter H	6,872.98	8	2005	1100120893
9	Factory 1	29,469.72	5	2000	1100120887
10	Factory 2	29,392.20	5	2000	1100120891
11	Factory 3	29,469.72	5	2000	1100120892
12	Factory 5	41,504.63	6	2004	1100120888
13	Factory 6	29,469.72	5	2000	1100120889
14	Factory 7	24,282.93	1	2006	1100120903
15	Quarter 10	12,736.00	6	Not stated	1100120902
16	Quarter 11	12,736.00	6	Not stated	1100120901
	Total	<u>350,315.09</u>			

3. We have been provided with a legal opinion on the property prepared by the PRC legal Adviser, which contains, *inter alia*, the following information:
- The ownership of the property are legally vested in Nanxuan Knitting.
  - Nanxuan Knitting is legally entitled to use, occupy, transfer, lease, mortgage of the property.
  - The property is subject to mortgage, it cannot be transfer and mortgage without the consent of the mortgagee.
  - The leases of the leased portion are legal and effective.
4. The property was inspected by Mr. Frank Li, Manager, China Real Estate Appraiser (CREA) on 14 August 2015.

*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 11 August 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (referred to in this Appendix as the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## **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 29 January 2016 to take effect on the Listing Date. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### *(i) 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 with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are 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 from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others 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.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

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.

(iii) *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.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *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, subject to the Articles, upon such terms as the board may determine, and

may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other 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. Subject as otherwise provided by the Articles, 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.

Subject to the Companies Law and the Articles, 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 shall 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 (as defined in the Articles) is materially interested, but this prohibition shall 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.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time 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 shall also be 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 (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) 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.

(vii) *Retirement, appointment 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. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

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 the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. 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:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if 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 from time to time 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 shall, 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.

(viii) *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 (present and future) 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.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *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.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that 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.

**(b) Alterations to constitutional documents**

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.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively 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, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, 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.

The 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.

**(e) Special resolution majority required**

Pursuant to the Articles, 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 (see paragraph 2(i) below for further details).

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 held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, 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 instalments 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 authorised 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 Designated Stock Exchange (as defined in the Articles), 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.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (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 any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) 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 shall 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 shall 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 Designated Stock Exchange (as defined in the Articles), 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.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. 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. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

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 (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall 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 the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five percent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed 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 percent (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.

**(j) 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 Designated Stock Exchange (as defined in the Articles) 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 in any case in which it thinks fit, in its discretion, to do so and 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 thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to 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.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, 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 a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for 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 any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.



Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, 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.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, 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 instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty percent. (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 instalments 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 percent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

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 Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) 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.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the 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 law, as summarised in paragraph 3(f) of this Appendix.

**(s) 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 shall be 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 shall be 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 shall be 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.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) 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 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) 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 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.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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**

Subject to the provisions of the Companies Law, 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 shall 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 shall not be treated as a member for any purpose and shall 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 shall not be voted, directly or indirectly, at any meeting of the company and shall 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. Further, 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.



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**

With the exception of section 34 of the Companies Law, there is 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. In addition, section 34 of 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 (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands 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) Management**

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 shall 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.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (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 25 August 2015.

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 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 will 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.

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 shall 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.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business 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, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and 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. At

least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five percent. (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.

**(p) Compulsory acquisition**

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 percent. (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.

**(q) 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 available for inspection" in Appendix IV to this prospectus. 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 GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 August 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 September 2015. We have established a place of business in Hong Kong at Units A–C, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong. Mr. Wong Wai Wing, Raymond who resides at Flat B, 23/F, Block 6, Julimount Garden, 1-5 Hin Tai Street, Tai Wai, New Territories, Hong Kong and Mr. Tao Chi Keung who resides at Flat C, 52/F, Le Point Tower 10, Metro Town Phase II, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong have been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

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

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

On 11 August 2015, our authorised share capital as at the date of our incorporation was HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each. One fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to Nameson Investments on the same day.

On 14 December 2015, Nameson Investments assigned all its rights and interests in the promissory note dated 12 December 2015 (which was initially issued by Winner Way to Nameson BVI, and then assigned to Nameson Investments) to our Company and in consideration, our Company allotted and issued 342 Shares to Nameson Investments.

On 17 December 2015, Nameson Investments assigned all its rights and interests in the promissory note dated 3 December 2015 (which was initially issued by Nameson Group to Nameson BVI, and then assigned to Nameson Investments) to our Company and in consideration, our Company allotted and issued 156 Shares to Nameson Investments.

On 24 December 2015, our Company allotted and issued 623 Shares to Nameson Investments to capitalize and settle the HK\$623,000,000 amount of indebtedness due from our Company to Nameson Investments.

Immediately following completion of the Global Offering and the Capitalisation Issue and without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid and 3,000,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “A. Further information about our Group — 3. Resolutions in writing of our Sole Shareholder passed on 29 January 2016” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Resolutions in writing of our Sole Shareholder passed on 29 January 2016**

Pursuant to the written resolutions passed by our Sole Shareholder on 29 January 2016:

- (a) we approved and conditionally adopted the Articles of Association which will become effective upon Listing;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;
  - (ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” below in this Appendix, 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 Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme; and

- (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$14,999,988.78 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,499,998,878 Shares for allotment and issue to the persons whose names appear on the register of members of our Company on the date immediately before the date of the Listing in accordance with their respective shareholding (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member.
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (d) a general unconditional 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 approved 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 number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting



of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of issued Shares of our Company immediately following completing of the Global Offering and the Capitalisation Issue.

#### **4. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

#### **5. Changes in share capital of subsidiaries**

Our subsidiaries are referred to in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

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

#### **6. Repurchases of our Shares**

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

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

##### **(i) *Shareholders’ approval***

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our Sole Shareholder on 29 January 2016, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the repurchase of Shares by our Company on the Stock Exchange, or on any other approved 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, of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), at any time until 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 any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable Laws of the Cayman Islands. A listed company may not repurchase its own securities 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 in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium account of our Company or 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 purchase, out of either or both of the profits of our Company or the share premium account of our Company. Subject to the Companies Law, a repurchase of shares may also be paid out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

**(d) Share capital**

Exercise in full of the Buyback Mandate, on the basis of 2,000,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 200,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

**(e) General**

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 200,000,000

Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 85% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

## **B. INFORMATION ABOUT OUR BUSINESS**

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

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

- (a) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Chung, as transferor, and our Company, as transferee, pursuant to which Mr. Wong Ting Chung transferred two shares in Nameson Group to our Company at a consideration of HK\$124,600,000;
- (b) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Kau, as transferor, and our Company, as transferee, pursuant to which Mr. Wong Ting Kau transferred two shares in Nameson Group to our Company at a consideration of HK\$124,600,000;
- (c) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Ting Chun, as transferor, and our Company, as transferee, pursuant to which Mr. Wong Ting Chun transferred two shares in Nameson Group to our Company at a consideration of HK\$124,600,000;
- (d) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Wai Yue, as transferor, and our Company, as transferee, pursuant to which Mr. Wong Wai Yue transferred two shares in Nameson Group to our Company at a consideration of HK\$124,600,000;
- (e) an instrument of transfer dated 1 December 2015 and entered into between Mr. Wong Wai Wing, Raymond, as transferor, and our Company, as transferee, pursuant to which Mr. Wong Wai Wing, Raymond transferred one share in Nameson Group to our Company at a consideration of HK\$62,300,000;

- (f) an instrument of transfer dated 1 December 2015 and entered into between Ms. Wong Wai Ling, as transferor, and our Company, as transferee, pursuant to which Ms. Wong Wai Ling transferred one share in Nameson Group to our Company at a consideration of HK\$62,300,000;
- (g) a promissory note in the principal amount of HK\$623,000,000 dated 1 December 2015 and issued by our Company in favour of Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, and Ms. Wong Wai Ling;
- (h) a deed of assignment dated 2 December 2015 and entered into between Mr. Wong Ting Chung, Mr. Wong Ting Kau, Mr. Wong Ting Chun, Mr. Wong Wai Yue, Mr. Wong Wai Wing, Raymond, Ms. Wong Wai Ling (collectively, the “assignors”), Nameson Investments and our Company, pursuant to which the assignors assigned all their rights and interests in the promissory note in principal amount of HK\$623,000,000 issued by our Company and dated 1 December 2015 to Nameson Investments;
- (i) a memorandum of agreement dated 14 December 2015 and entered into between Senico Industrial, as vendor, and Hanyi Investments, as purchaser, pursuant to which Senico Industrial transferred all its ownership interests over an industrial premises to Hanyi Investments at a consideration of HK\$104,000,000;
- (j) an instrument of transfer dated 24 December 2015 and entered into between Winnermax, as transferor, and Nameson Group, as transferee, pursuant to which Winnermax transferred 100 shares in Senico Industrial to Nameson Group at a consideration of HK\$78,000,000;
- (k) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group, as transferor, and Winnermax, as transferee, pursuant to which Nameson Group transferred 100 shares in Million Right Investments Limited to Winnermax in consideration of Winnermax transferring seven shares of Senico Industrial to Nameson Group;
- (l) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group, as transferor, and Winnermax, as transferee, pursuant to which Nameson Group transferred 100 shares in Plenty Asset Investment Limited to Winnermax in consideration of Winnermax transferring one share of Senico Industrial to Nameson Group;
- (m) an instrument of transfer dated 24 December 2015 and entered into between Nameson Group, as transferor, and Winnermax, as transferee, pursuant to which Nameson Group transferred 100 shares in Ultra Mount Investments Limited to Winnermax in consideration of Winnermax transferring 92 shares of Senico Industrial to Nameson Group;

- (n) an instrument of transfer dated 23 December 2015 and entered into between Nameson Group, as transferor, and Winnermax, as transferee, pursuant to which Nameson Group transferred one share in Nameson Group Limited (a limited company incorporated in Hong Kong) to Winnermax at a consideration of HK\$1;
- (o) an instrument of transfer dated 23 December 2015 and entered into between Nameson Group, as transferor, and Winnermax, as transferee, pursuant to which Nameson Group transferred 100 shares in Nam Tai Industrial (H.K.) Limited to Winnermax at a consideration of HK\$153,000;
- (p) an instrument of transfer dated 3 December 2015 and entered into between Nameson BVI, as transferor, and Nameson Group, as transferee, pursuant to which Nameson BVI transferred 60,000 shares in Winner Way to Nameson Group at a consideration of HK\$156,000,000;
- (q) a promissory note in the principal amount of HK\$156,000,000 dated 3 December 2015 and issued by Nameson Group in favour of Nameson BVI;
- (r) a deed of assignment dated 16 December 2015 and entered into between Nameson BVI, Nameson Investments and Nameson Group, pursuant to which Nameson BVI assigned all its rights and interests in the promissory note in principal amount of HK\$156,000,000 issued by Nameson Group and dated 3 December 2015 to Nameson Investments;
- (s) a deed of assignment dated 17 December 2015 and entered into between Nameson Investments, our Company and Nameson Group, pursuant to which Nameson Investments assigned all its rights and interests in the promissory note in principal amount of HK\$156,000,000 issued by Nameson Group and dated 3 December 2015 to our Company;
- (t) a promissory note in the principal amount of HK\$342,000,000 dated 12 December 2015 and issued by Winner Way in favour of Nameson BVI;
- (u) a deed of assignment dated 13 December 2015 and entered into between Nameson BVI, Nameson Investments and Winner Way, pursuant to which Nameson BVI assigned all its rights and interests in the promissory note in principal amount of HK\$342,000,000 issued by Winner Way and dated 12 December 2015 to Nameson Investments;
- (v) a deed of assignment dated 14 December 2015 and entered into between Nameson Investments, our Company and Winner Way, pursuant to which Nameson Investments assigned all its rights and interests in the promissory note in principal amount of HK\$342,000,000 issued by Winner Way and dated 12 December 2015 to our Company;
- (w) an instrument of transfer dated 23 December 2015 and entered into between Nameson BVI, as transferor, and Nameson Group, as transferee, pursuant to which Nameson BVI transferred 60,000 shares in Kingmax Industrial to Nameson Group at a consideration of HK\$60,000;

- (x) an instrument of transfer dated 23 December 2015 and entered into between Mr. Lau Ka Keung, as transferor, and Nameson Group, as transferee, pursuant to which Mr. Lau Ka Keung transferred 100 shares in Bonny to Nameson Group at a consideration of HK\$2,000,000;
- (y) a cornerstone investment agreement dated 22 March 2016 entered into among our Company, Fast Retailing Co., Ltd., CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Fast Retailing Co., Ltd. agreed to subscribe at the Offer Price such number of Shares as may be purchased with an aggregate amount of JPY 1 billion;
- (z) a cornerstone investment agreement dated 22 March 2016 entered into among our Company, Shima Seiki MFG., Ltd., Shima Seiki (Hong Kong) Ltd., CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Shima Seiki MFG., Ltd. and Shima Seiki (Hong Kong) Ltd. agreed to subscribe at the Offer Price such number of Shares as may be purchased with an aggregate amount of US\$5 million;
- (aa) a cornerstone investment agreement dated 18 March 2016 entered into among our Company, Talent Charm Limited, CITIC CLSA Capital Markets Limited and CLSA Limited pursuant to which Talent Charm Limited agreed to subscribe at the Offer Price such number of Shares as may be purchased with an aggregate amount of US\$5 million;
- (bb) the Deed of Indemnity;
- (cc) the Deed of Non-Competition; and
- (dd) the Hong Kong Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
 南骏集团 Nameson Group	301959823	35	Nameson Group	Hong Kong	29 June 2011	28 June 2021
 南骏集团 Nameson Group						
盈彩	10158497	23	Huizhou Lihao	PRC	28 December 2012	27 December 2022
Ying Cai	10158517	23	Huizhou Lihao	PRC	28 December 2012	27 December 2022
 南骏控股有限公司 Nameson Holdings Limited	303508083	35	Company	Hong Kong	17 August 2015	16 August 2025
 南骏控股有限公司 Nameson Holdings Limited						
	303508713	35	Company	Hong Kong	18 August 2015	17 August 2025

### (b) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
firstteamgmt.com	First Team (HK)	7 February 2014	7 February 2019
bonny.com.hk	Nameson Industrial	23 June 2015	23 June 2020
southcrown.com.hk	Nameson Industrial	23 June 2015	23 June 2020
senico.com.hk	Nameson Industrial	23 June 2015	23 June 2020
hynameson.com.cn	Nanxuan Knitting	24 April 2002	24 April 2019
nameson.com.cn	Nanxuan Knitting	7 April 1998	7 April 2019
namesongroup.com	Nanxuan Knitting	18 April 2006	18 April 2021
nameson.com.hk	Nameson Industrial	22 October 1999	9 November 2016
kingmax.com.hk	Kingmax Industrial	22 October 1999	N/A
winnerway.com.hk	Winner Way	20 October 2000	N/A
namesonholdings.com	Nameson Industrial	23 June 2015	23 June 2020



## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

#### (a) *Disclosure of Interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 Listed Companies, to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

#### (i) *Interests in shares of our Company*

<u>Name</u>	<u>Nature of interest</u>	<u>Interests in Shares<sup>(1)</sup></u>	<u>Approximate percentage shareholding</u>
Mr. Wong Ting Chung <sup>(2)</sup>	Beneficiary of a trust	1,500,000,000	75%
Mr. Wong Wai Wing, Raymond <sup>(3)</sup>	Beneficiary of a trust	1,500,000,000	75%
Mr. Wong Ting Chun <sup>(3)</sup>	Beneficiary of a trust	1,500,000,000	75%
Mr. Wong Ting Kau <sup>(3)</sup>	Beneficiary of a trust	1,500,000,000	75%

#### *Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore is deemed to be interested in the Shares held in the Happy Family Trust under the SFO.
- (3) Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun and Mr. Wong Ting Kau are beneficiaries of the Happy Family Trust and therefore deemed under the SFO to be interested in the Shares held under the Happy Family Trust.

**(b) *Particulars of service contracts***

Each of our executive Directors, namely Mr. Wong Ting Chung, Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, has entered into a service contract with our Company for an initial term commencing from 1 February 2016 to three years from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors, namely Mr. Wong Ting Kau, Mr. Wong Wai Yue, Mr. Lau Ka Keung and Mr. Tam Wai Hung, David has entered into a service contract with our Company for an initial term commencing from 1 February 2016 to three years from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors, namely Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty has signed a letter of appointment with our Company for a term commencing from 1 February 2016 to three years from the Listing Date.

**(c) *Directors' remuneration***

Each of our executive Directors and non-executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including fees, salaries, contributions to pension schemes and benefits in kind) of our executive Directors and non-executive Directors for the three years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015 (including any discretionary bonuses which may be paid to our executive Directors) was HK\$16.4 million, HK\$12.2 million, HK\$12.3 million and HK\$6.1 million.

Each of our independent non-executive Directors, namely Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty, has been appointed for a term commencing from 1 February 2016 to three years from the Listing Date. We intend to pay a director's fee of HK\$300,000 per annum to each of our independent non-executive Directors respectively. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration (save for any share options that may be granted) for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fee, salaries, contributions to pension scheme and other allowances and benefits in kind) of our Directors for the year ending 31 March 2016 is estimated to be no more than HK\$15.5 million.

On production of effective profits of payment, all reasonable (and, in the case of independent non-executive Directors, approved) out-of pocket expenses reasonably incurred by our Directors in the process of discharging their duties on behalf of our Group will be borne by our Company. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce to become, or to qualify him/her as, a Director, or otherwise for services rendered by him/her in connection with the promotion or formation of our Company.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “C. Further Information About Our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” above in this Appendix.

## 2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Nature of Interest	Share held as of the submission of the application proof of this prospectus <sup>(1)</sup>		Shares held immediately after completion of the Reorganisation and prior to the Global Offering and the Capitalisation Issue <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue <sup>(1)</sup>	
		Name	Percentage (approx.)	Number	Percentage (approx.)	Number	Percentage (approx.)
Nameson Investments <sup>(2)</sup>	Beneficial Owner	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Happy Family BVI <sup>(2)</sup>	Interest in controlled corporation	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
East Asia International Trustees Limited <sup>(2)</sup>	Trustee of a trust	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Wang Kam Chu <sup>(3)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Kwan Ying Tsi, Catherine <sup>(4)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Tsoi Suet Ngai <sup>(5)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%
Ms. Chan Ka Wai <sup>(6)</sup>	Interest of spouse	1 (L)	100%	1,122 (L)	100%	1,500,000,000 (L)	75%

*Notes:*

- (1) The Letter “L” denotes the person’s long position in the Shares.
- (2) Nameson Investments is wholly owned by Happy Family BVI, the holding vehicle incorporated in the BVI used by East Asia International Trustees Limited, the trustee of the Happy Family Trust which is a trust established by Mr. Wong Ting Chung as the settlor and the protector. Accordingly, each of Happy Family BVI and Mr. Wong Ting Chung is deemed under the SFO to be interested in the Shares held by Nameson Investments.
- (3) Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chung.
- (4) Ms. Kwan Ying Tsi, Catherine is the spouse of Mr. Wong Wai Wing, Raymond and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Wai Wing, Raymond.
- (5) Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Chun.
- (6) Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Wong Ting Kau.

### **3. Agency fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

### **4. Disclaimers**

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other Information — 9. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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 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) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, 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 an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other Information — 9. Consents of experts” in this Appendix 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 member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company 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. OTHER INFORMATION****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Sole Shareholder passed on 29 January 2016.

**(a) Purpose**

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) Who may join**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$0.01 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the

duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

**(c) *Acceptance of an offer of options***

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$0.01 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company.

**(d) *Maximum number of Shares***

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), being 200,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company).

Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, and/or other information required under the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser 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 (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

**(e) *Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and



- (ii) the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
  - (aa) the Eligible Participant's name, address and occupation;
  - (bb) the date on which an option is offered in writing to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an option must be accepted;
  - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
  - (ee) the number of Shares in respect of which the option is offered;
  - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
  - (gg) the date of the expiry of the option in respect of that option; and
  - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

**(f) *Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

**(g) *Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant which shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

**(h) *Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of results for (i) any year or half-year period in accordance with the Listing Rules, and (ii) where the Company has elected to publish them, any quarterly or other interim period,

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) 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
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**(i) *Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any other relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

**(j) *Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(k) *Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

**(l) *Rights on ceasing employment or death***

In the event of the grantee of an option ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with our Company and/or any of our subsidiaries on the grounds specified in paragraph (m), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a

grantee who is an Eligible Participant by reason of his/her employment with our Company or any of our subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not).

In the case of the grantee of an option ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of our subsidiaries under paragraph (m) has occurred, the grantee or his/her personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

**(m) *Rights on dismissal***

In the event of the grantee of an option ceasing to be an Eligible Participant by reason of the termination of his/her relationship with our Company and/or any of our subsidiaries on any one or more of the following grounds:

- (i) that he/she has been guilty of serious misconduct;
- (ii) that he/she has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Company and/or any of our subsidiaries;
- (iii) that he/she has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally; or
- (iv) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary,

his/her option will lapse automatically and not be exercisable (to the extent not already exercised) from the date of cessation of being an Eligible Participant.

**(n) *Rights on takeover***

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Code)), our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, Shareholders). If such offer becomes or is declared unconditional, the grantee of an option (or his/her legal representative(s))

shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

**(o) *Rights on winding-up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

**(p) *Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Companies Law, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or

arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

**(q) *Ranking of Shares***

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will subject to all the provisions of the Articles and rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

**(r) *Effect of alterations to capital***

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial adviser shall (other than in respect of an adjustment made on a capitalisation issue) certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and/or such other requirements prescribed under the Listing Rules from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe had he exercised all the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

**(s) *Expiry of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group, or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

**(t) *Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),



shall first be approved by our Shareholders in general meeting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules, and if the proposed alteration shall adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration, or reduce the proportion of equity capital to which any person was entitled pursuant to such option prior to such alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

**(u) *Cancellation of options***

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

**(v) *Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or of the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(w) *Administration of the Board***

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

**(x) *Condition of the Share Option Scheme***

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Global Coordinator acting for and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date of the Share Option Scheme:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**(y) *Disclosure in annual and interim reports***

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

**(z) *Present status of the Share Option Scheme***

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

## **2. Tax and other indemnities**

Our Controlling Shareholders entered into the Deed of Indemnity with and in favour of our Company (for itself and on behalf of each of its present subsidiaries) (being the contract referred to in the paragraph headed “B. Information About Our Business — 1. Summary of Material Contracts” in this Appendix) to provide certain indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable before the Listing Date and any claims, fines and liabilities to which any member of our Group may be subject and payable before the Listing Date as a result of any regulatory non-compliance or as a result of (or the omission or delay in) the carrying out of land and/or building use procedures.

## **3. Litigation**

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

#### **4. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are US\$650,000 (approximately HK\$5.0 million) and are payable by our Company.

#### **5. Preliminary expenses**

The estimated preliminary expenses incurred and paid by our Company were approximately US\$11,558 (approximately HK\$89,575).

#### **6. Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

#### **7. Taxation of holders of Shares**

##### **(a) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, 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 profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

##### **(b) *Cayman Islands***

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

**(c) Consultation with professional advisers**

Intending holders of our Shares are recommended to consult their professional advisers if they are in 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 the other parties involved in the Global Offering can accept 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 Shares or exercise of any rights attaching to them.

**8. Qualification of experts**

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

<u>Name</u>	<u>Qualification</u>
CITIC CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as the Sole Sponsor of the Global Offering
Allbright Law Offices	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified public accountants
VILAF	Vietnam legal adviser
Vigers Appraisal & Consulting Limited	Property valuer
Mr. Clay Huen	Hong Kong barrister-at-law
Euromonitor	Industry consultant

**9. Consents of experts**

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**10. Interests of experts in our Company**

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**11. 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.

**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 or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) 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;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) our Directors confirm that none of the Directors is interested in any business apart from the Company's business, which competes or is likely to complete, either directly or indirectly, with the Company's business;

- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Computershare Hong Kong Investor Services 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 share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) our Directors have been advised that under the Cayman Islands company law the use of a Chinese name by our Company does not contravene the Companies Law;
- (i) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures; and
- (j) the English text of this prospectus shall prevail over the Chinese text.

### **13. Bilingual Prospectus**

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

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 9. Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Information About Our Business — 1. Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Companies Law;
- (c) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, the summary of values and valuation certificates related to our property interests prepared by Vigers Appraisal & Consulting Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the audited combined financial statements of the Group for the financial years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015;
- (g) the Vietnam legal opinion dated the prospectus date issued by VILAF, our Vietnam legal adviser in respect of certain aspects of our Group’s business operation and property interests in Vietnam;
- (h) the PRC legal opinions dated the prospectus date issued by Allbright Law Offices, our PRC legal adviser in respect of certain aspects of our Group and property interests in the PRC;

- (i) the legal opinion dated the prospectus date issued by Mr. Clay Huen, a barrister-at-law in Hong Kong, in respect of the non-compliance of section 122 of the Predecessor Companies Ordinance by certain subsidiaries of our Group;
- (j) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (k) the material contracts referred to in the section headed “Statutory and General Information — B. Information About Our Business — 1. Summary of material contracts” in Appendix V to this prospectus;
- (l) service contracts of each of our Directors referred to in the section headed “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix V to this prospectus;
- (m) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 9. Consents of experts” in Appendix V to this prospectus;
- (n) the rules of the Share Option Scheme; and
- (o) the Euromonitor Report.





南旋控股有限公司  
NAMESON HOLDINGS LIMITED