

Evergreen Products Group Limited

訓修實業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1962

Global Offering

Sole Sponsor



Joint Global Coordinators



Guotai Junan Securities (Hong Kong) Limited



Joint Bookrunners



IMPORTANT

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

Evergreen Products Group Limited 訓修實業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 184,500,000 Shares (comprising 153,750,000 new Shares and 30,750,000 Sale Shares, subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 18,450,000 Shares (subject to adjustment)
Number of International Placing Shares	: 166,050,000 Shares (comprising 135,300,000 new Shares and 30,750,000 Sale Shares, subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.90 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.01 per Share
Stock code	: 1962

Sole Sponsor



Joint Global Coordinators



Guotai Junan Securities (Hong Kong) Limited



Joint Bookrunners and Joint Lead Managers



Guotai Junan Securities (Hong Kong) Limited



Joint Lead Manager



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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and our Company on or about 4 July 2017 and, in any event, not later than 10 July 2017. The Offer Price will be not more than HK\$1.90 per Offer Share and is currently expected to be not less than HK\$1.65 per Offer Share, unless otherwise announced. Applicants applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.90 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$1.90 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with the consent of our Company and the Selling Shareholder, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and our Company on or before 10 July 2017 (Hong Kong time), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please also see the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for Termination" 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.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and, subject to certain exceptions, may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

29 June 2017

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and our website at www.epfhk.com.

- Latest time to complete electronic applications under
HK eIPO White Form service through the
designated website www.hkeipo.hk⁽²⁾11:30 a.m. on Tuesday, 4 July 2017
- Application lists open⁽³⁾11:45 a.m. on Tuesday, 4 July 2017
- Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC⁽⁴⁾12:00 noon on Tuesday, 4 July 2017
- Latest time to complete electronic applications under
HK eIPO White Form service by effecting internet
banking transfer(s) or PPS payment transfer(s)12:00 noon on Tuesday, 4 July 2017
- Application lists close⁽³⁾12:00 noon on Tuesday, 4 July 2017
- Expected Price Determination Date⁽⁵⁾Tuesday, 4 July 2017
- (1) Announcement of
- the Offer Price;
 - the level of applications in the Hong Kong Public Offer;
 - the level of indications of interest in the International Placing; and
 - the basis of allotment of the Hong Kong Offer Shares,
- to be published in the South China Morning Post (in English)
and the Hong Kong Economic Times (in Chinese)
on or beforeTuesday, 11 July 2017
- (2) Results of allocations in the Hong Kong Public Offer
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of
channels as described in the section headed "How to Apply for
Hong Kong Offer Shares – F. Publication of results" fromTuesday, 11 July 2017
- (3) A full announcement containing (1) and (2) above to
be published on the website of the Stock Exchange
at www.hkexnews.hk and on our website
at www.epfhk.com fromTuesday, 11 July 2017

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offer
will be available at www.tricor.com.hk/ipo/result
with a “search by ID” function Tuesday, 11 July 2017

Despatch of Share certificates in respect of wholly or partially
successful applications on or before (*Notes 7 to 12*) Tuesday, 11 July 2017

Despatch of **e-Auto Refund** payment instructions/refund
cheques in respect of wholly successful (where applicable)
or wholly or partially unsuccessful applications on or
before (*Notes 6, 8 to 12*) Tuesday, 11 July 2017

Dealings in Shares on the Stock Exchange to commence
at 9:00 a.m. on Wednesday, 12 July 2017

Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application 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, 4 July 2017, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares – E. 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, 4 July 2017, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make an announcement in such event.
- (4) Applicants who apply by giving **electronic application instructions** to the HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 5. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 4 July 2017 and, in any event, not later than Monday, 10 July 2017. If, for any reason, the Offer Price is not agreed by our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before 10 July 2017, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
- (6) E-Auto Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (7) Share certificates for the Hong Kong Offer Shares will become valid certificates at 8:00 a.m. on Wednesday, 12 July 2017 (Hong Kong time), provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

EXPECTED TIMETABLE

- (8) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offer and have provided all information required by Application Form may collect any refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 July 2017. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.
- (9) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
- (10) For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Tuesday, 11 July 2017. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 11 July 2017 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – I. Despatch/Collection of Share certificates and refund monies" in this prospectus for details.
- (11) For applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Auto Refund payment instructions on Tuesday, 11 July 2017. For applicants who have applied through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on Tuesday, 11 July 2017 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – I. Despatch/Collection of Share certificates and refund monies" in this prospectus for details.
- (12) Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares – I. Despatch/Collection of Share certificates and refund monies" in this prospectus.

Share certificates will only become valid certificates provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates do so entirely at their own risk.

The above expected timetable is a summary only. For further details in relation to the structure of the Global Offering, including the conditions of the Hong Kong Public Offer, and the procedures for application for the Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

CONTENTS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates or any other persons or parties involved in the Global Offering.

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	11
Forward-Looking Statements	29
Risk Factors	31
Information about this Prospectus and the Global Offering	65
Directors and Parties involved in the Global Offering	69
Corporate Information	75
Industry Overview	77
Regulatory Overview	89
Our History and Development	113
Business	130
Relationship with our Controlling Shareholders	195

CONTENTS

Connected Transactions	202
Directors and Senior Management	204
Substantial Shareholders	216
Share Capital	218
Cornerstone Investors	221
Financial Information	226
Future Plans and Use of Proceeds	275
Underwriting	277
Structure of the Global Offering	288
How to Apply for Hong Kong Offer Shares	295
Appendix I Accountants' Report	I-1
Appendix II Unaudited Pro Forma Financial Information	II-1
Appendix III Summary of the Constitution of our Company and Cayman Islands Company Law	III-1
Appendix IV Statutory and General Information	IV-1
Appendix V Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As 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 to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read this section carefully before you invest in the Offer Shares.

OVERVIEW

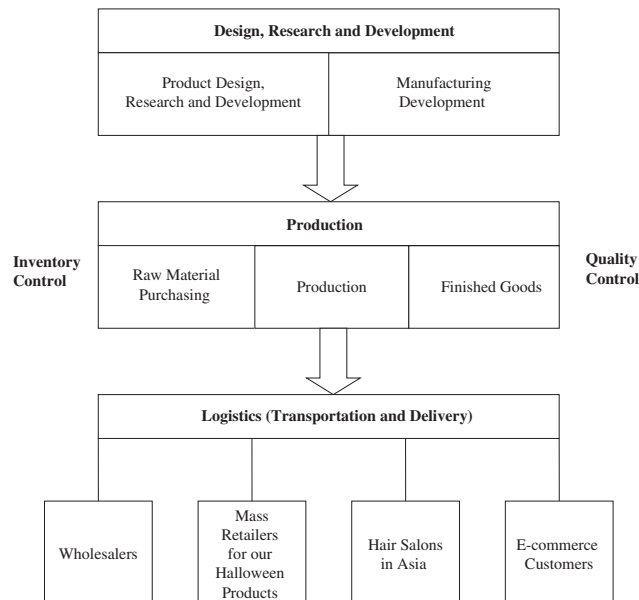
We are a leading global manufacturer of hair goods, including wigs, hairpieces, braids and high-end human hair extensions. According to the Frost & Sullivan Report, we ranked fifth in synthetic hair goods sales globally with an approximately 4.0% market share of global synthetic hair goods manufacturer revenue in 2016. We design, manufacture and sell a wide range of hair goods made with synthetic fibres and human hair targeted at different ethnic groups and the Halloween market.

Our principal market is the United States, which contributed approximately 76.3% of our revenue in 2016. Our key sales products in the United States include synthetic hair goods used mainly by women of African descent for daily wear as well as beauty and grooming purposes. Our other key markets are Europe and Asia, which contributed approximately 7.2% and 14.3%, respectively, of our revenue in 2016. Our sales in these two markets primarily consist of high-end human hair extensions as well as other hair goods designed for women of African descent in Europe.

We have three production centres in China and two production centres in Bangladesh. Our production facilities were initially set up in China. Due to rising labour costs in China, in 2009 we began to diversify our production in Bangladesh where we could tap into a sufficiently large labour pool at lower wage levels. We plan to further construct and complete four new production facilities in Bangladesh by the end of 2019, comprising an additional GFA of approximately 175,100 sq.m. and planned capacity of approximately 11,800 additional production employees. As at 31 December 2016, we had a total of 809 employees in China and 12,918 employees in Bangladesh.

BUSINESS MODEL

We design, manufacture and sell a wide range of hair goods. We collaborate with our customers in market research and product design processes. Based on customer input, our product design, research and development team creates products for customers’ selection, broadening our hair goods portfolio. Our raw materials principally consist of various synthetic fibres and human hair. We manufacture products for third parties under their own brands or brands that they are licensed to use, and manufacture and sell our own branded products in Asia as a wholesaler and e-commerce retailer.



SUMMARY

PRODUCTION

Production Facilities

We have two production bases, our China Production Base and our Bangladesh Production Base. Our China Production Base includes (i) our production centre located in Kunming, Yunnan, (ii) our research and display centre and sales office located in Nantou, Shenzhen, where our designers and a small production line are located, and (iii) a human hair processing centre in Yuzhou, Henan.

Our principal manufacturing capacity is housed in our Bangladesh Production Base. Our Bangladesh Production Base consists of our UEPZ Production Centre, which is located within the UEPZ, and our GT Production Centre, which comprises six nearby facilities located outside of the UEPZ.

As at 31 December 2016, our China Production Base occupied approximately 113,163 sq.m. of land with a total GFA of 54,091 sq.m., and our Bangladesh Production Base occupied approximately 58,000 sq.m. of land with a total GFA of 65,699 sq.m.

Production Capacity and Utilisation Rate

Production processes vary from product to product. We carry a broad range of hair goods, many of which do not require the full run of our production process. The production process of our products is described under the section headed “Business – Production – Production Process”. We determine our estimated maximum production capacity for a given year based on (i) the assumption that each production employee at our Bangladesh Production Base works 2,912 hours per year and that each production employee at our China Production Base works 2,720 hours per year, and (ii) the estimated average production time per unit of products for the year.

For the years ended 31 December 2014, 2015 and 2016, our overall production utilisation rates across all product segments were 88.5%, 95.2% and 93.4% of our estimated maximum production capacity, respectively, at our Bangladesh Production Base, and 88.1%, 88.4% and 93.6% of our estimated maximum production capacity, respectively, at our China Production Base. See “Business – Production – Production Capacity and Utilisation Rate” for more details.

Production Expansion Plans

We plan to complete the construction of four new production facilities in Bangladesh by the end of 2019. Our GT Hand Tie Facility is currently under construction, and we plan to commence construction on three other facilities, namely our Bleaching and Dyeing Complex, UEPZ Printing Facility and UEPZ Carton Facility, by the end of 2017. Our total funding requirement for the construction and completion of these production facilities is expected to be approximately HK\$193.0 million. Our source of funding will come principally from (i) the proceeds from the Global Offering, (ii) cash from operating activities and (iii) external funding sources.

OUR PRODUCTS

We design, manufacture and sell a wide range of hair goods with synthetic fibres and human hair. Our principal products include full wigs, half wigs, lace wigs, hairpieces such as drawstrings, accessories such as buns, general braids, special braids, weavings, toupees, high-end human hair extensions and Halloween products.

SUMMARY

We monitor, review and manage our sales in the following product segments, with the following revenue and corresponding percentage of sales during the respective periods:

Product Segments	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ in millions, except percentage)</i>					
Wigs, hair accessories and others⁽¹⁾						
African descent – United States and Europe ⁽²⁾	310.1	58.1%	326.9	59.0%	371.3	62.3%
native African	32.2	6.0%	9.8	1.8%	6.9	1.2%
Caucasian	43.1	8.1%	33.8	6.1%	23.4	3.9%
Asian						
Self-owned brands	1.3	0.2%	2.3	0.4%	3.1	0.5%
Other products and trading of hair	6.2	1.2%	5.7	1.0%	4.6	0.8%
Subtotal	<u>392.9</u>	<u>73.6%</u>	<u>378.6</u>	<u>68.3%</u>	<u>409.3</u>	<u>68.7%</u>
High-end human hair extensions	100.7	18.9%	130.6	23.5%	141.5	23.8%
Halloween products	40.3	7.5%	45.3	8.2%	44.9	7.5%
Total	<u>533.9</u>	<u>100.0%</u>	<u>554.5</u>	<u>100.0%</u>	<u>595.7</u>	<u>100.0%</u>

Notes:

- (1) Our revenue from wigs, hair accessories and others has been further analysed by origin of users.
- (2) As customers of African descent in the United States and Europe have higher purchasing power than their counterparts in Africa and purchase hair goods of similar style, raw material and quality, our revenue from customers of African descent in the United States and Europe are grouped together as one sub-segment whereas our revenue from native African customers is grouped under another sub-segment.

The following table sets forth our sales volume by product line for the periods indicated.

Sales Volume by Product Line	For the year ended 31 December		
	2014	2015	2016
	<i>(pieces in millions)</i>		
Wigs, hair accessories and others	27.6	20.7	23.4
High-end human hair extensions	0.4	0.5	0.5
Halloween products	2.6	2.4	2.1
Total	<u>30.6</u>	<u>23.6</u>	<u>26.0</u>

The following table sets forth our average selling price by product line for the periods indicated.

Average Selling Price by Product Line ⁽¹⁾	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$)</i>		
Wigs, hair accessories and others	14.2	18.3	17.4
High-end human hair extensions	263.2	288.4	283.5
Halloween products	15.7	18.9	21.7
Overall	<u>17.5</u>	<u>23.6</u>	<u>22.9</u>

Note:

- (1) The average selling price by product line shall be the revenue by product line divided by the sales volume by such product line.

SUMMARY

We sell our products to customers across the United States, Europe, Africa and Asia. Set forth below is a breakdown of sales of our products by country:

Countries	For the Year ended 31 December		
	2014	2015	2016
		(%)	
USA	66.0	73.9	76.3
United Kingdom	8.6	8.7	6.6
China	9.1	8.5	8.1
Japan	3.7	3.6	5.5
South Africa	5.9	1.8	1.2
Germany	0.9	1.0	0.6
Russia	2.2	0.9	0.7
Others	3.6	1.6	1.0
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The following table sets forth the gross profit and gross profit margin of our product segments for the periods indicated.

	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ in millions, except percentages)</i>					
Gross Profit and						
Gross Profit Margin						
Wigs, hair accessories and others	118.7	30.2%	118.9	31.4%	122.5	29.9%
High-end human hair extensions	49.3	49.0%	62.4	47.8%	74.9	53.0%
Halloween products	6.1	15.2%	13.5	29.8%	13.9	30.9%
Total Gross Profit and Overall Gross Profit						
Margin	<u>174.1</u>	<u>32.6%</u>	<u>194.8</u>	<u>35.1%</u>	<u>211.3</u>	<u>35.5%</u>

Our products fall into the following product segments:

- *Wigs, hair accessories and others* – this product segment principally consists of a wide range of wigs and other hair accessories sold primarily to customers in the United States and Europe, where there is a large market for these products among women of African descent.
- *High-end human hair extensions* – this product segment consists of high-end human hair extensions sold to hair salons across North America, Europe and Asia. Our high-end human hair extensions are generally sold to wholesalers which, in turn, sell them under their own brands or brands that they are licensed to use, through their own sales channels to various retailers in the United States, Europe and other countries. We also sell our high-end human hair extensions under our own brands to hair salons in Asia where hairstylists apply the products to end-users. The products sold in this product segment carry a higher profit margin compared to our other product segments.
- *Halloween products* – this product segment consists of wigs, hairpieces and costumes designed for parties and festivals. Sales of products in this product segment are predominantly driven by the Halloween season and are characterised by predictable seasonal demand and relatively longer shelf life.

SALES AND MARKETING

We maintain significant long-term business relationships with most of our key customers. We work closely with our customers for purchase orders and any instruction on changes in product specifications or product mix. We routinely receive market intelligence from our customers for new products. We also conduct market research by reviewing fashion trends through hair shows, online sources, magazines, movies and pop-culture events. We seek to increase existing customer sales or gain new customers from time to time as a result of competitive advantages achieved through pricing, quality, timely delivery and scalable production capacity.

SUPPLIERS AND RAW MATERIALS

Our raw materials consist principally of synthetic fibres and human hair. During the Track Record Period, we sourced our synthetic fibres primarily from Japan, South Korea and China, and our human hair primarily from China and India. We purchase almost all of our raw materials directly from our suppliers. During the Track Record Period, prices of synthetic fibres experienced only slight fluctuations, while the price of human hair experienced more significant fluctuation of up to approximately 10%.

SUMMARY

Our five largest suppliers collectively supplied raw materials comprising 32.5%, 34.0% and 33.7% of our cost of goods sold for the years ended 31 December 2014, 2015 and 2016, respectively. During the same periods, our largest supplier supplied raw materials comprising 22.5%, 24.9% and 23.2% of our cost of goods sold, respectively.

CUSTOMERS

We sell our products primarily to: (i) wholesalers, (ii) mass retailers for our Halloween products, (iii) hair salons in Asia and (iv) e-commerce customers. Our sales model enables us to enlarge our geographic presence and strengthen our market penetration.

Our revenue is recognised when our products are delivered and title to our products has passed to our customers. Set forth below is a breakdown of our sales by sales channel, with each item expressed as a percentage of total sales, for the periods indicated.

	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ millions, except percentages)</i>					
Sales channels						
Wholesalers	492.5	92.2%	504.5	91.0%	538.8	90.5%
Mass retailers for our Halloween products	13.7	2.6%	16.9	3.0%	19.8	3.3%
Hair salons in Asia	26.5	5.0%	30.8	5.6%	34.0	5.7%
E-commerce customers	1.2	0.2%	2.3	0.4%	3.1	0.5%
Grand Total	533.9	100.0%	554.5	100.0%	595.7	100.0%

For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers collectively accounted for 43.6%, 52.2% and 51.0%, respectively, of our total revenue for the respective periods. For the same periods, sales to our largest customer accounted for 14.5%, 16.1% and 13.6%, respectively, of our total revenue for the respective periods.

PRICING AND PAYMENT

We generally price our products in one of three ways: (i) on a cost-plus basis with reference to the market price of comparables; (ii) on a market price basis; or (iii) on a demand basis. Most of our products are priced by using the first approach. However, we adjust our pricing strategies based on the expected demand of products. Fashion products that are in demand typically command price premiums. Our pricing strategies allow us to offer competitive pricing for our products generally, while enjoying higher margins on products in high demand. Given the seasonality of our Halloween products and as part of our production planning, we also provide early bird discounts of 3% to 5% to wholesale customers of Halloween products that place advance purchase orders with us before 31 August of the prior year.

In granting the relevant credit period to our customers, we take into account the relevant customer's creditworthiness, payment methods, pricing policy and size of sales orders. We typically grant our wholesaler customers a credit period of 30 to 90 days and our mass retailer customers a credit period of 75 to 150 days. Our wholesalers principally engage in the sale of hair goods or other hair related products. Our mass retailer customers mainly include mall retailers, department stores and supermarkets that sell different kinds of products and usually have strong bargaining power in negotiations with their suppliers. In addition, our mass retailer customers usually make only one bulk purchase of Halloween products every year. Accordingly, we grant a longer credit period to our mass retailer customers. Our customers typically settle their trade payables by wire transfer.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our past success, which will continue to enable us to increase our market share and capture future growth opportunities in our target markets:

- Our comprehensive product portfolio which captures various markets and fashion trends;
- Our lower production costs through a strategic production base in Bangladesh;
- Our solid, long-term relationships with our customers;
- Our close collaboration with our customers on product design, research and development to successfully and continuously expand our product range; and
- Our strong senior management team with in-depth industry knowledge.

For further details, see "Business – Our Competitive Strengths".

SUMMARY

OUR BUSINESS STRATEGIES

We plan to increase our market share and enhance our revenue sources and profitability by adopting the following business strategies:

- Introduce more human hair goods in our “African descent – United States and Europe” product segment;
- Further develop the “High-end Human Hair Extensions” product segment;
- Increase penetration for our “Halloween” product segment;
- Expand and improve our production capabilities in Bangladesh;
- Enhance and expand our design, research, development and other value-added services; and
- Expand our e-commerce business.

For further details, see “Business – Our Business Strategies”.

RESULT OF OPERATIONS

The following table sets forth a breakdown of our consolidated result of operations, with each item expressed as an absolute percentage of our revenue, for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ in millions, except percentages)</i>					
Revenue	533.9	100.0%	554.5	100.0%	595.7	100.0%
Cost of goods sold	(359.8)	67.4%	(359.6)	64.9%	(384.4)	64.5%
Gross profit	174.1	32.6%	194.8	35.1%	211.3	35.5%
Other income	3.2	0.6%	3.5	0.6%	2.7	0.5%
Other gains and losses ⁽¹⁾	(1.4)	0.3%	(8.7)	1.6%	(4.8)	0.8%
Change in fair value of investment properties ⁽²⁾	5.6	1.0%	1.4	0.3%	–	–
Change in fair value of redeemable convertible preferred shares	–	–	–	–	(39.3)	6.7%
Distribution and selling expenses	(14.9)	2.8%	(12.9)	2.3%	(12.9)	2.2%
Administrative expenses	(82.2)	15.4%	(92.5)	16.7%	(87.4)	14.7%
Other expenses ⁽⁴⁾	(0.2)	–	(1.8)	0.3%	(14.9)	2.5%
Finance costs	(12.4)	2.3%	(12.5)	2.3%	(17.6)	2.9%
Profit before taxation	71.8	13.4%	71.3	12.9%	37.1	6.2%
Taxation ⁽⁵⁾	(1.4)	0.3%	(2.6)	0.5%	(4.3)	0.7%
Profit for the year	70.4	13.2%	68.7	12.4%	32.8	5.5%

Notes:

- (1) Other gains and losses include net foreign exchange loss of HK\$1.6 million, HK\$3.9 million and HK\$1.0 million for the years ended 31 December 2014, 2015 and 2016, respectively.
- (2) We disposed of our investment properties in April 2015.
- (3) Fair value loss is a non-cash item. Before the completion of the Global Offering, the redeemable convertible preferred shares will be converted into Shares on a one-to-one basis, and the difference between the fair value of the redeemable convertible preferred shares as at 31 December 2016 and the fair value upon the conversion of such shares will be recognised as fair value gain or loss in our consolidated profit and loss statement for the year ending 31 December 2017. The fair value gain or loss will be a non-cash item. There will be no fair value gain or loss associated therewith for any financial period after 31 December 2017 on the assumption that our Listing will be completed on or before 31 December 2017.
- (4) We incurred listing expenses of HK\$14.0 million for the year ended 31 December 2016, which are recognised as other expenses.
- (5) One of our subsidiaries in Bangladesh enjoyed income tax exemptions of HK\$8.2 million, HK\$11.1 million and HK\$14.0 million for the years ended 31 December 2014, 2015 and 2016, respectively. Therefore, the tax effect of tax exemptions granted to us during the Track Record Period in Bangladesh was significant.

Without taking into account our listing expenses and the change in fair value of our investment properties and redeemable convertible preferred shares, our adjusted net profit during the Track Record Period for illustration purposes is as follows:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Profit for the year	70.4	68.7	32.8
Change in fair value of investment properties	(5.6)	(1.4)	–
Change in fair value of redeemable convertible preferred shares	–	–	39.3
Listing expenses	–	–	14.0
Adjusted net profit	64.8	67.3	86.1

SUMMARY

Adjusted net profit increased from HK\$64.8 million in 2014 to HK\$86.1 million in 2016 at a CAGR of 15.3%. Adjusted net profit eliminates the effects of change in fair value of our redeemable convertible preferred shares and listing expenses, which have been and may continue to be significant recurring factors in our business prior to the completion of the Global Offering. It also eliminates the effect of change in fair value of our investment properties which were disposed of in April 2015. The term of adjusted net profit is not defined under HKFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year.

REVENUE

During the Track Record Period, our principal constraints on revenue have been our production capacity for each period. We also experienced a temporary decrease in overall production capacity due to the transition of our principal production base from China to Bangladesh and the initial ramp up of our Bangladesh Production Base. We expect that there may be further changes in our production capacity as we increase the scope of our operations in Bangladesh to include human hair sourcing, bleaching and dyeing, and package printing and cartoning and shift such functions from China, shortening our production lead time.

As indicated in the following table setting forth our revenue by production base, revenue from our China Production Base decreased during the Track Record Period reflecting a decrease in the production volume of our China Production Base. Conversely, revenue from our Bangladesh Production Base increased during the same period, reflecting an increase in production capacity as we transitioned our principal production base from China to Bangladesh.

	For the year ended 31 December		
	2014	2015	2016
	(HK\$ in millions)		
Revenue by Production Base			
China ⁽¹⁾	245.1	172.0	107.7
Bangladesh	288.8	382.5	488.0
Total	<u>533.9</u>	<u>554.5</u>	<u>595.7</u>

Note:

(1) Includes other income in the amount of HK\$0.1 million for the year ended 31 December 2016.

SELECTED KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	(%)		
Gross profit margin ⁽¹⁾	32.6	35.1	35.5
Net profit margin ⁽²⁾	13.2	12.4	5.5
Return on total assets ⁽³⁾	9.4	8.5	3.6
Return on equity ⁽⁴⁾	18.9	18.8	13.9
Current ratio ⁽⁵⁾	112.5	111.7	99.6
Gearing ratio ⁽⁶⁾⁽⁸⁾	87.6	97.0	495.4
Net debt to equity ratio ⁽⁷⁾⁽⁸⁾	66.2	76.8	428.2

Notes:

- (1) Gross profit margin is derived by dividing gross profit by revenue for the given year.
- (2) Net profit margin is derived by dividing profit for the year by revenue for the given year. The significant decrease in net profit margin from 12.4% for the year ended 31 December 2015 to 5.5% for the year ended 31 December 2016 was primarily due to the change in fair value of the Preferred Shares issued in June 2016 and our listing expenses. Without taking into account our listing expenses and the change in fair value of the Preferred Shares and the disposed investment properties, our adjusted net profit margin for the years ended 31 December 2014, 2015 and 2016 would have been 12.1%, 12.1% and 14.5%, respectively. Adjusted net profit margin eliminates the effect of change in fair value of the Preferred Shares and our listing expenses, which have been and may continue to be significant recurring factors in our business prior to the completion of the Global Offering. It also eliminates the effect of change in fair value of our investment properties which were disposed of in April 2015. The term of adjusted net profit margin is not defined under HKFRS. The use of adjusted net profit margin has material limitations as an analytical tool, as adjusted net profit margin does not include all items that impact our net profit margin for the year.
- (3) Return on total assets is derived by dividing profit for the year by total assets, where total asset is the average beginning and ending balances of total assets for the given year.
- (4) Return on equity is derived by dividing profit for the year by total equity, where total equity is the average beginning and ending balances of total equity for the given year.
- (5) Current ratio is derived by dividing current assets by current liabilities at the end of a given year.
- (6) Gearing ratio is derived by dividing total interest-bearing debt (including secured bank borrowings, obligations under finance leases and redeemable convertible preferred shares) by total equity at the end of a given year.
- (7) Net debt to equity ratio is derived by dividing net debt (being our total interest-bearing borrowings net of (i) pledged bank deposits; and (ii) bank balances and cash) by total equity at the end of a given year.

SUMMARY

- (8) The significant increase in the gearing ratio and net debt to equity ratio for the year ended 31 December 2016 primarily reflected the change of fair value of the Preferred Shares issued in June 2016, an increase in secured bank borrowings and a decrease in reserves as a result of declared dividends for the period. All Preferred Shares will be converted into Shares prior to the completion of the Global Offering. Assuming the Preferred Shares had been converted into Shares as at 31 December 2016, the gearing ratio and the net debt to equity ratio as at 31 December 2016 would have been 144.6% and 117.0%, respectively. See “Financial Information – Selected Key Financial Ratios” for further details.

FAIR VALUE CHANGE OF REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Preferred Shares are designated as financial liabilities at fair value through profit or loss. We recorded a loss of HK\$39.3 million on the change in fair value of the Preferred Shares for the year ended 31 December 2016. The fair value loss is a non-cash item. Before the completion of the Global Offering, the Preferred Shares will be converted into Shares on a one-to-one basis, and the difference between the fair value of the Preferred Shares as at 31 December 2016 and the fair value upon the conversion of the Preferred Shares will be recognised as fair value gain or loss in our consolidated profit and loss statement for the year ending 31 December 2017. The fair value gain or loss will be a non-cash item. There will be no fair value gain or loss associated with the Preferred Shares for any financial period after 31 December 2017 on the assumption that our Listing will be completed on or before 31 December 2017. Assuming the completion of the Global Offering in July 2017 with the indicative Offer Price ranging from HK\$1.65 to HK\$1.90 per Offer Share, the estimated total fair value gain or loss to be recorded in relation to the Preferred Shares for the year ending 31 December 2017 would range from a gain of approximately HK\$1.5 million to a loss of approximately HK\$5.3 million. In the event we record any fair value loss on the Preferred Shares for the year ending 31 December 2017, it could have an adverse impact on our profit for that year.

OUR CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Evergreen Holdings will directly own in total approximately 54.8% of the issued share capital of our Company. Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (a minor) and Mr. Chang Yoe Chong Felix's issue being the beneficiaries. The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung as the settlor with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. Accordingly, we consider Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Management, FC Investment, CLC Management, CLC Investment, Golden Evergreen and Evergreen Holdings as our Controlling Shareholders for the purpose of the Listing Rules. Please refer to “Connected Transactions” for details of the transaction with an entity controlled by our Controlling Shareholders. We expect to continue that transaction with that entity, which is expected to be fully exempt under the Listing Rules.

In March 2015, SEAVI Advent made an investment in the amount of US\$15 million in Evergreen Group, the holding company of our Group at that time. For details, see “Our History and Development – Pre-IPO Investment”. After the Reorganisation, SEAVI Advent held 36,908,517 Preferred Shares. See “Our History and Development – Reorganisation” for details of our Reorganisation. SEAVI Advent is the Selling Shareholder and will also become a substantial shareholder upon completion of the Global Offering and the Capitalisation Issue.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of any material importance, and there was no litigation, arbitration or claim of material importance pending or threatened against us that could have a material adverse effect on our financial condition or results of operations. Please also refer to the section headed “Business – Licences, Regulatory Approvals and Compliance – Non-compliance” for material non-compliance incidents, together with rectification actions, during the Track Record Period and up to the Latest Practicable Date.

DIVIDEND POLICY

Prior to the Reorganisation, our Group distributed dividends to its then shareholders in the aggregate amounts of HK\$20.0 million, HK\$268.0 million and HK\$50.0 million for the years ended 31 December 2014, 2015 and 2016, respectively, representing HK\$666.7, HK\$8,933.3 and HK\$0.37 per share based on 30,000 ordinary shares, 30,000 ordinary shares and 136,908,517 shares (comprising 100,000,000 Shares and 36,908,517 Preferred Shares), respectively.

SUMMARY

Other than the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or by our Company since its incorporation.

We cannot guarantee that dividends will be paid in the future. After the completion of the Global Offering, we will declare dividends, if any, on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the discretion of our Directors and (if required) our Shareholders' approval, as well as applicable laws and regulations. We currently expect to distribute no less than 20% of our net distributable profit for each of the two financial years ending 31 December 2017 and 2018 subject to the above and as set forth in "Financial Information – Dividend Policy".

RISK FACTORS

There are risks associated with any investment. There are certain risks and considerations relating to an investment in our Shares, including among others:

- Labour shortages, increased labour costs or other factors affecting labour supply for our production;
- Events negatively affecting the United States and other international markets as we rely significantly on sales in these jurisdictions;
- Foreign exchange rate fluctuations;
- A failure to fully implement our expansion plans in Bangladesh and risks in relation to upgrading our existing facilities and constructing new facilities;
- A failure to maintain an effective quality control system and potential claims in respect of product quality and safety standards by the end-customers of our products, which our insurance coverage might not be sufficient to cover;
- A major disruption at any of our production facilities, such as a breakdown of production lines or a power or utilities shortage;
- Cash flow mismatches;
- Our net current liabilities position as at 31 December 2016;
- Our breaches of covenants in our loan agreements;
- Failure to manage inventory at optimal levels;
- Encumbrances or title defects on our land and properties in Bangladesh that cannot be discovered or are susceptible to challenges in the future;
- A failure to comply with the laws and regulations on environmental protection which may subject us to penalty;
- Insufficient resources to fund our capacity expansion or to operate our business;
- Potential fair value loss on the Preferred Shares;
- Political instability in Bangladesh;
- A relatively uncertain and complex regulatory environment in Bangladesh;
- Poor infrastructure condition and natural disasters in Bangladesh;
- Continued corruption in Bangladesh; and
- Changes in the laws and regulations governing the industries operating in export processing zones in Bangladesh.

For details of the risk factors relating to the investment in us, see "Risk Factors". You should read the section in its entirety before you decide to invest in our Shares.

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with the SFC transaction levy and the Stock Exchange trading fee in connection with the Global Offering is estimated to be approximately HK\$51.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming the Over-allotment Option is not exercised), of which approximately HK\$48.5 million is payable by us and approximately HK\$3.3 million is payable by the Selling Shareholder. Approximately HK\$14.0 million of our listing expenses was charged to our income statement during the Track Record Period. The remainder of our listing expenses in the amount of approximately HK\$22.4 million is expected to be charged to our income statement, and the amount of approximately HK\$12.1 million is expected to be capitalised after Listing.

OFFERING STATISTICS

Number of Offer Shares in the Global Offering	:	184,500,000 ⁽¹⁾
Number of Hong Kong Offer Shares	:	18,450,000 ⁽²⁾
Number of International Placing Shares.	:	166,050,000 ^{(1), (2)}
Over-allotment Option	:	27,675,000 Offer Shares
Offer Price range per Offer Share	:	HK\$1.65 to HK\$1.90
Board lot.	:	2,000 Shares

SUMMARY

Notes:

- (1) Subject to Over-allotment Option
- (2) Subject to adjustment

All statistics in the following table are based on the assumption that (i) the Capitalisation Issue and the Global Offering have been completed; (ii) no Shares have been issued pursuant to the Share Option Scheme; and (iii) 615,000,000 Shares are issued and outstanding following the completion of the Capitalisation Issue and the Global Offering.

	Based on an Offer Price of HK\$1.65	Based on an Offer Price of HK\$1.90
Market capitalisation	HK\$1,014,750,000	HK\$1,168,500,000
Unaudited pro forma adjusted consolidated net tangible asset per Share	HK\$0.74	HK\$0.81

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.775 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$224.4 million, after deducting underwriting fees and commissions and other estimated expenses in connection with the Global Offering. Assuming the Over-allotment Option is not exercised, the net proceeds of the 30,750,000 Sale Shares, based on the Offer Price of HK\$1.775 per Offer Share (being the mid-point of the Offer Price range), would be approximately HK\$51.3 million attributable to the Selling Shareholder.

We intend to use the net proceeds of the Global Offering for the following purposes: (1) approximately 49.2% to increase our production capacity by constructing additional production facilities in our Bangladesh Production Base, of which approximately 56.9%, 8.1%, 20.3% and 14.7% will be used for construction of our Bleaching and Dyeing Complex, GT Hand Tie Facility, UEPZ Printing Facility and UEPZ Carton Facility, respectively; (2) approximately 10.0% for relocation of our research and display centre and sales office in Nantou, Shenzhen and establishment of a logistics centre in Dongguan, Guangdong; (3) approximately 10.8% for the expansion of our business, of which approximately 29.6% will be used for establishing sales offices for high-end human hair extensions in Asia, approximately 33.4% will be used towards further development of our e-commerce business by, among other methods, improving the appearance and functionality of our online sales platforms, initiating different product lines and recruiting a professional marketing team, and approximately 37.0% will be used towards the expansion of our Halloween costume sales; (4) approximately 20.0% to repay outstanding trust receipts loans; and (5) approximately 10% for working capital and general corporate purposes. Please see “Future Plans and Use of Proceeds” for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited financial statements, our revenue and gross profit for the four months ended 30 April 2017 was approximately HK\$198.6 million and HK\$69.3 million, respectively, compared with HK\$191.1 million and HK\$59.0 million, respectively, for the four months ended 30 April 2016.

Our reporting accountants have conducted a review on our subsequent interim financial information for the four months ended 30 April 2017 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On 19 June 2017, our Company approved the issuance of 324,341,483 Shares standing to the credit of the share premium account of our Company conditional on the share premium account of our Company having sufficient balance or otherwise being credited as a result of the Global Offering under the Capitalisation Issue on or around the Listing Date, details of which are set out in Appendix IV to this prospectus.

Our Directors have confirmed that, except for the recognition of listing expenses as disclosed in “Financial Information – Listing Expenses” and the potential fair value loss to be recorded in relation to the Preferred Shares as disclosed in “Financial Information – Indebtedness – Redeemable Convertible Preferred Shares”, there has been no material adverse change in our business operations, result of operations, or financial or trading position since 31 December 2016 (being the date up to which our Company’s latest consolidated financial results were prepared, as set forth in the Accountants’ Report included as Appendix I to this prospectus) up to the date of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Ace Equity”	Ace Equity Global Limited, a limited liability company incorporated in BVI on 25 November 2014 and an investment holding company indirectly and wholly owned by our Company
“Acemaster Ventures”	Acemaster Ventures Limited, a limited liability company incorporated in BVI on 22 September 2014 and a property holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“Adland Limited”	Adland Limited (亞特蘭有限公司), a limited liability company incorporated in Hong Kong on 25 October 2002 and dissolved by way of deregistration on 11 September 2015 due to its inactivity, which was engaged in the trading of hair goods and was a company owned by Evergreen Factory as to 50% before its dissolution
“Allied Glory”	Allied Glory Asia (BD) Limited, a limited liability company incorporated in Bangladesh on 4 January 2011 and dissolved by way of strike-off on 13 April 2015 due to its inactivity, which was a directly and wholly owned subsidiary of Evergreen Factory before its dissolution
“Aplan TGS”	Aplan TGS* (株式会社東京義發整形), a company incorporated in Japan with limited liability, which held a 49% equity interest in E5 Company as the Latest Practicable Date
“Application Form(s)”	WHITE, YELLOW and GREEN Application Form(s) or, where the context so requires, any of them relating to the Hong Kong Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 19 June 2017 which will become effective upon the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
“Asia Treasure”	Asia Treasure Investment Limited, a limited liability company incorporated in BVI on 6 July 2016 and an investment holding company indirectly and wholly owned by our Company

DEFINITIONS

“Audited Net Profit”	the after tax net profit of Evergreen Factory for a given year as reported in audited financial reports minus (a) any gain or loss on disposal of or deregistration of Evergreen Factory’s subsidiary; (b) fair value change of investment property; and (c) fair value change of financial instruments in that year calculated by Evergreen Factory’s auditor based on relevant line items in the audited financial reports
“Australia”	the Commonwealth of Australia
“Bangladesh”	the People’s Republic of Bangladesh
“Bangladesh Factory”	Bangladesh Factory Investment Consultant Company Limited (孟加拉工業投資顧問有限公司), a limited liability company incorporated in Hong Kong on 16 June 2011 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the provision of consultancy services
“Bangladesh Legal Advisers”	Doulah & Doulah, our Company’s legal advisers as to Bangladesh law
“Bangladesh Production Base”	our production base which commenced production in May 2010, consisting of the UEPZ Production Centre and the GT Production Centre and, where appropriate, shall include additional production facilities anticipated to be constructed by us in Bangladesh
“BDT” or “Taka”	Bangladeshi Taka, the official currency of Bangladesh
“BEPZA”	Bangladesh Export Processing Zone Authority
“BIDA”	Bangladesh Investment Development Authority, a government body formed by merging the Board of Investment and the Privatisation Commission in Bangladesh
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 324,341,483 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholders” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law (2016 Revision) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“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 “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China Production Base”	our production base in the PRC
“CLC Family Trust”	a trust established on 9 July 2013 by Mr. Chang Chih Lung as the settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Yoe Chong Felix and his issue, which will be a connected person of our Company upon our Listing
“CLC Investment”	CLC Investment Worldwide Limited, a limited liability company incorporated in BVI on 9 January 2014, which has held 51% of the issued share capital of Golden Evergreen and has been directly and wholly owned by CLC Management since 11 December 2014, a Controlling Shareholder
“CLC Management”	CLC Management Limited, a limited liability company incorporated in BVI on 9 January 2014, which has held the entire issued share capital of CLC Investment since 11 December 2014 and has been wholly owned by CLC Family Trust through its trustee since 24 October 2014, a Controlling Shareholder

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or 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 or supplemented or otherwise modified from time to time
“Company” or “our Company”	Evergreen Products Group Limited (訓修實業集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 19 May 2016
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Management, FC Investment, CLC Management, CLC Investment, Golden Evergreen and Evergreen Holdings
“Cowden Ventures”	Cowden Ventures Limited, a limited liability company incorporated in BVI on 29 August 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of the Company upon our Listing
“Dava Investments”	Dava Investments Limited, a limited liability company incorporated in BVI on 13 January 2015 and a property investment holding company indirectly and wholly owned by our Company
“Deed of Indemnity”	the deed of indemnity dated 23 June 2017 made by our Controlling Shareholders in favour of our Company
“Deed of Non-Competition”	the deed of non-competition dated 23 June 2017 made by our Controlling Shareholders in favour of our Company
“Director(s)”	director(s) of our Company
“Dong Jin”	Dong Jin Industrial Company Limited (東珍實業有限公司), a limited liability company incorporated in Hong Kong on 9 August 2004 and an indirectly and wholly owned subsidiary of our Company as at the Latest Practicable Date, which principally engages in the trading of synthetic fibres and investment holding
“Dong Jin (BD)”	Dong Jin Industrial (BD) Company Ltd., a limited liability company incorporated in Bangladesh on 20 October 2011 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of hair goods

DEFINITIONS

“Easy Victory”	Easy Victory Enterprises Limited, a limited liability company incorporated in BVI on 5 January 2015 and an investment holding company indirectly and wholly owned by our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law, promulgated on 16 March 2007 and effective from 1 January 2008
“EPF Agro”	EPF Evergreen Agro Limited, a limited liability company incorporated in Bangladesh on 28 July 2016 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“EPF Carton”	EPF Carton Limited, a limited liability company incorporated in Bangladesh on 12 July 2016 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“EPF Global”	EPF Global Enterprises Limited (訓修環球有限公司), a limited liability company incorporated in Hong Kong on 18 December 2009 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the trading of hair goods
“EPF International”	EPF International Limited (訓修國際有限公司), a limited liability company incorporated in Hong Kong on 18 December 2009 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the trading of hair goods
“EPF Printing”	EPF Printing Limited, a limited liability company incorporated in Bangladesh on 12 July 2016 and an indirectly owned subsidiary of our Company through our indirect shareholding of 51% interest in Glassy Brick, which had not commenced any business as at the Latest Practicable Date
“EU”	the European Union
“Europe”	a continent that comprises the westernmost part of Eurasia
“Evergreen Factory”	Evergreen Products Factory Limited (訓修製品廠有限公司), a limited liability company incorporated in Hong Kong on 14 December 1993 and an indirectly and wholly-owned subsidiary of our Company, which principally engages in the sale of hair goods

DEFINITIONS

“Evergreen Factory (BD)”	Evergreen Products Factory (BD) Ltd., a limited liability company incorporated in Bangladesh on 30 September 2009 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of hair goods
“Evergreen Factory (DG)”	Evergreen Products Factory (DG) Co., Ltd.* (東莞訓修髮製品有限公司), a limited liability company established in the PRC on 22 November 2006 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture and sale of hair goods
“Evergreen Factory (SZ)”	Evergreen Products Factory (SZ) Co., Ltd.* (訓修實業(深圳)有限公司), a limited liability company established in the PRC on 12 March 2003 and an indirectly and wholly owned subsidiary of our Company, which principally engages in property leasing and the sale of medical hydrotherapy equipment
“Evergreen Factory (YZ)”	Evergreen Products Factory (YZ) Co., Ltd.* (訓修實業(禹州)有限公司), a limited liability company established in the PRC on 5 September 2003 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the processing, bleaching and dyeing of human hair
“Evergreen Group”	Evergreen Group Limited, a company incorporated in the Cayman Islands on 27 October 2014 as an exempted company with limited liability, approximately 73.0% and 27.0% of the issued share capital of which were directly held by Evergreen Holdings and SEAVI Advent, respectively, as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“Evergreen Holdings”	Evergreen Enterprise Holdings Limited, a limited liability company incorporated in BVI on 21 November 2011, which held approximately 73.0% of the issued shares of our Company as at the Latest Practicable Date and has been directly and wholly owned by Golden Evergreen since 11 December 2014, a Controlling Shareholder
“Evergreen Investment”	Evergreen Enterprise Investment Limited, a limited liability company incorporated in BVI on 30 May 2016 and an investment holding company directly and wholly owned by our Company
“Evergreen Mongla”	Evergreen Products Factory (Mongla) Limited, a limited liability company incorporated in Bangladesh on 4 November 2010 and dissolved by way of strike-off on 26 June 2014 due to its inactivity, which was a directly and wholly owned subsidiary of Evergreen Factory before its dissolution

DEFINITIONS

“Evergreen Printing”	Evergreen Printing Limited, a company incorporated in Hong Kong with limited liability on 3 January 2017 and a non-wholly owned subsidiary of our Company
“E5 Company”	E5 Company* (E5 株式会社), a company incorporated in Japan with limited liability on 22 November 2016 and a non-wholly owned subsidiary of our Company, which engages in the trading of hair goods
“Fast Track”	Fast Track Ventures Limited, a limited liability company incorporated in BVI on 16 September 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“FC Investment”	FC Investment Worldwide Limited, a company incorporated in BVI with limited liability on 9 January 2014, which has held 49% of the issued share capital of Golden Evergreen and has been directly and wholly owned by FC Management since 11 December 2014, and a Controlling Shareholder
“FC Management”	FC Management Limited, a company incorporated in BVI with limited liability on 9 January 2014, which has held the entire issued share capital of FC Investment since 11 December 2014 and has been wholly owned by Felix Family Trust through its trustee since 24 October 2014, and a Controlling Shareholder
“Felix Family Trust”	a trust established on 17 February 2010 by Mr. Chang Yoe Chong Felix as the settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix’s issue, which will be a connected person of our Company upon our Listing
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a consulting firm which provides market research and analysis
“Frost & Sullivan Report”	an industry research report issued by Frost & Sullivan as commissioned by our Company
“GFA”	gross floor area
“Glassy Brick”	Glassy Brick Holdings Limited, a limited liability company incorporated in BVI on 23 November 2015, an investment holding company and an indirectly owned subsidiary of our Company through our indirect shareholding of 51% of the issued share capital in Evergreen Printing
“Global Offering”	the Hong Kong Public Offer and the International Placing

DEFINITIONS

“Gold Rocket”	Gold Rocket Ltd., a limited liability company incorporated in Bangladesh on 2 November 2011 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the business of clearing and forwarding, consulting on custom clearance, export-import, shipping and transportation
“Gold Soil”	Gold Soil Construction Limited, a limited liability company incorporated in Bangladesh on 29 February 2012 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“Gold Timing”	Gold Timing Manufacture (BD) Limited, a limited liability company incorporated in Bangladesh on 22 April 2010 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of hair goods
“Golden Blossom”	Golden Blossom Holdings Limited, a company incorporated in the BVI with limited liability on 6 October 2016 and an indirectly and wholly owned subsidiary of our Company
“Golden Chance”	Golden Chance Corporation* (ゴールドデンチャンス株式会社), a company incorporated in Japan with limited liability on 26 March 2010 and an indirectly and wholly owned subsidiary of our Company
“Golden Evergreen”	Golden Evergreen Limited, a limited liability company incorporated in BVI on 14 November 2014, which has held the entire issued share capital of Evergreen Holdings and has been owned by FC Investment and CLC Investment since 11 December 2014, and a Controlling Shareholder
“Golden Image”	Golden Image Ventures Limited, a limited liability company incorporated in BVI on 22 September 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“Golden Times”	Golden Times Investment LLC, a limited liability company incorporated in the United States on 4 January 2010 and administratively dissolved on 25 September 2015 due to its inactivity, which was a directly and wholly owned subsidiary of Evergreen Factory before its dissolution
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, our present subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
“GT Production Centre”	one of our production centres in our Bangladesh Production Base, which is located outside of the UEPZ
“Guangzhou Dong Jin”	Guangzhou Dong Jin Industrial Co., Limited* (廣州市東珍纖維有限公司), a limited liability company established in the PRC on 28 October 2004 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of synthetic fibres
“Halloween”	a celebration observed in a number of countries on 31 October of each year
“HIBOR”	the Hong Kong Inter-Bank Offered Rate
“high-end human hair extensions”	the human hair goods used for adding hair length and/or hair volume with an average retail price over US\$5 per gram
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued 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
“HKD”, “HK\$” or “HK dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 18,450,000 new Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by us for subscription under the Hong Kong Public Offer

DEFINITIONS

“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer whose names are set forth in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 June 2017 relating to the Hong Kong Public Offer entered into by our Company, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Investment, Evergreen Holdings, CLC Investment, Golden Evergreen, CIMB Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Mason Securities Limited, Huarong International Securities Limited and Aristo Securities Limited
“Hopcheer”	Hopcheer Trading Limited (浩章貿易有限公司), a limited liability company incorporated in Hong Kong on 25 June 1997 and dissolved by way of deregistration on 13 March 2015 due to its inactivity
“HSBC International Trustee Limited”	HSBC International Trustee Limited which acts as the trustee of the Felix Family Trust and the CLC Family Trust
“I-Corporation”	I-Corporation* (有限会社アイコーポレーション), a limited liability company incorporated in Japan on 1 September 2003 and a wholly owned subsidiary of our Company, which principally engages in the trading of hair goods
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons
“International Placing”	the conditional placing of the International Placing Shares to institutional, professional and other investors
“International Placing Agreement”	the underwriting agreement relating to the International Placing which is expected to be entered into by our Company, the Selling Shareholder, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Investment, CLC Investment, Golden Evergreen and Evergreen Holdings, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters on or about the date of the Price Determination Agreement

DEFINITIONS

“International Placing Shares”	the 135,300,000 new Shares to be offered by us, together with 30,750,000 Sale Shares to be offered by the Selling Shareholder (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus and the Over-allotment Option), under the International Placing
“International Underwriters”	the underwriters of the International Placing
“Jade Pride”	Jade Pride Holdings Limited, a limited liability company incorporated in BVI on 14 December 2015 and an investment holding company indirectly and wholly owned by our Company
“Joint Bookrunners”	CIMB Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Mason Securities Limited and Huarong International Securities Limited
“Joint Global Coordinators”	CIMB Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Fortune (HK) Securities Limited
“Joint Lead Managers”	CIMB Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Mason Securities Limited, Huarong International Securities Limited and Aristo Securities Limited
“Kunming Evergreen”	Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司), a limited liability company established in the PRC on 13 July 1995 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of hair goods
“Latest Practicable Date”	20 June 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus
“LIBOR”	the London Interbank Offered Rate
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 12 July 2017, on which our Shares are listed and dealings in our Shares commence on the Main Board
“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

DEFINITIONS

“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Market Focus”	Market Focus Ventures Limited, a limited liability company incorporated in BVI on 10 September 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 19 June 2017, which will become effective upon the Listing Date
“Million Gold”	Million Gold Limited, a limited liability company incorporated in Bangladesh on 2 November 2011 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“Mr. Chang Chih Lung”	Mr. Chang Chih Lung, the founder of our Group, the Honorary Chairman, non-executive Director and a Controlling Shareholder of our Company as well as one of the beneficiaries of the Felix Family Trust
“Mr. Chang Ka Wai Aidan”	Mr. Chang Ka Wai Aidan, the son of Mr. Chang Yoe Chong Felix and the grandson of Mr. Chang Chih Lung
“Mr. Chang Yoe Chong Felix”	Mr. Chang Yoe Chong Felix, the Chairman, executive Director, Chief Executive Officer and a Controlling Shareholder of our Company as well as the beneficiary of the CLC Family Trust
“North America”	a continent entirely within the Northern Hemisphere and almost all within the Western Hemisphere
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or purchased under the Hong Kong Public Offer and the International Placing, to be determined in the manner further described in “Structure of the Global Offering – Pricing and Allocation”

DEFINITIONS

“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares to be sold by the Selling Shareholder upon the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Selling Shareholder to the International Underwriters exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) under the International Placing Agreement pursuant to which the Selling Shareholder may be required to sell up to 27,675,000 additional Shares (representing, in aggregate, 15% of the initial number of Offer Shares) at the Offer Price to cover over-allocations in the International Placing
“Pleasant Cape”	Pleasant Cape Limited, a limited liability company incorporated in BVI on 9 December 2015 and an investment holding company indirectly and wholly owned by our Company
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	Haiwen & Partners, our legal advisers as to PRC law
“Preferred Share(s)”	Series A redeemable and convertible preferred share(s) of par value of US\$0.01 each in the share capital of our Company
“Price Determination Agreement”	the agreement expected to be entered into among our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or about 4 July 2017 and, in any event, not later than 10 July 2017, on which the final Offer Price is to be fixed for the purpose of the Global Offering
“Prime Day”	Prime Day Global Limited, a limited liability company incorporated in BVI on 1 April 2016 and an investment holding company indirectly and wholly owned by our Company
“Punchline Ventures”	Punchline Ventures Limited, a limited liability company incorporated in BVI on 4 September 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing

DEFINITIONS

“Purple Star”	Purple Star Inc., a limited liability company incorporated in the State of Washington, the United States, on 4 April 2015 and an indirectly and wholly owned subsidiary of our Company
“Purple Stone”	Purple Stone Inc., a limited liability company incorporated in the State of Washington, the United States, on 4 April 2015 and a property investment holding company indirectly and wholly owned by our Company
“Red Stone”	Red Stone Inc., a limited liability company incorporated in the State of Washington, the United States, on 11 May 2016 and an indirect and wholly owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. 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 “Our History and Development – Reorganisation”
“Reorganisation Deed”	the reorganisation deed dated 29 June 2016 and entered into among Evergreen Group, our Company, Evergreen Holdings, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, SEAVI Advent in respect of the corporate reorganisation of our Company
“RMB”	Renminbi, the lawful currency of the PRC
“Rose Glade”	Rose Glade Limited, a limited liability company incorporated in BVI on 16 December 2015 and an investment holding company indirectly and wholly owned by our Company
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	30,750,000 Shares offered for sale by the Selling Shareholder under the International Placing, and where applicable, together with up to additional 27,675,000 Shares to be sold by the Selling Shareholder upon exercise of the Over-allotment Option
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)

DEFINITIONS

“SEAVI Advent”	SEAVI Advent Investments Ltd, a company incorporated in BVI with limited liability on 29 August 2007 and a pre-IPO investor of our Company, which will be a connected person of our Company upon our Listing
“Selling Shareholder”	SEAVI Advent
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value of US\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by us pursuant to a resolution passed by our Shareholders, the principal terms of which are set out in “Statutory and General Information – D. Share Option Scheme” in Appendix IV
“Shareholder(s)”	holder(s) of Shares
“Shareholders Agreement”	the shareholders agreement dated 29 June 2016 and entered into among our Company, SEAVI Advent, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and Evergreen Holdings relating to the transfer of shares and the management and operation of our Group
“Shenzhen Evergreen”	Shenzhen Evergreen Hair Products Co., Ltd.* (深圳訓修髮製品有限公司), a limited liability company established in the PRC on 9 May 2012 and an indirectly and wholly owned subsidiary of our Company, which principally engages in the manufacture of hair goods
“Smart Plus”	Smart Plus Ventures Limited, a limited liability company incorporated in BVI on 30 September 2014 and a property investment holding company indirectly and wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“Sole Sponsor”	CIMB Securities Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Speedy Pride”	Speedy Pride Limited (豪迅有限公司), a limited liability company incorporated in BVI on 12 February 2010 and an investment holding company indirectly and wholly owned by our Company

DEFINITIONS

“sq.m.”	square metres
“Stabilising Manager”	CIMB Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	a stock borrowing agreement to be entered into on or about the Price Determination Date between the Stabilising Manager and the Selling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunleaf”	Sunleaf Holdings Limited, a limited liability company incorporated in BVI on 21 December 2015 and a former member of our Group, which will become a connected person of our Company upon our Listing
“Timely Global”	Timely Global Holdings Limited, a limited liability company incorporated in BVI on 10 May 2016 and a former member of our Group, which will become a connected person of our Company upon our Listing
“Track Record Period”	the period comprising the three years ended 31 December 2014, 2015 and 2016
“Trillion Gold”	Trillion Gold Limited, a limited liability company incorporated in Bangladesh on 2 November 2011 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“UEPZ” or “Uttara Export Processing Zone”	an export processing zone in Bangladesh located in the Nilphamari district of Bangladesh, established in September 2001
“UEPZ Production Centre”	one of our production centres in our Bangladesh Production Base, which is located within the UEPZ
“Ultimate Chance”	Ultimate Chance Limited, a limited liability company incorporated in BVI on 23 September 2009 and an indirectly and wholly owned subsidiary of our Company, which had not commenced any business as at the Latest Practicable Date
“USD”, “US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“Ventures Day”	Ventures Day Investments Limited, a limited liability company incorporated in BVI on 30 May 2014 and an investment holding company wholly owned by Evergreen Group as at the Latest Practicable Date, which will be a connected person of our Company upon our Listing
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares”
“Wisdom Ocean”	Wisdom Ocean Limited, a limited liability company incorporated in Hong Kong on 18 August 2005 and an indirectly and wholly owned subsidiary of our Company, which principally engages in e-commerce business for the sale of hair goods
“Wooden Kite”	Wooden Kite Limited, a limited liability company incorporated in BVI on 9 December 2015 and an investment holding company indirectly and wholly owned by our Company
“ YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares”
“%”	per cent.

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

For ease of reference, the names of certain companies and entities established in China, Japan or other places in the world have been included in this prospectus in English by way of translation and marked with “” if such entities do not have an English name as part of their legal name, and if there is any inconsistency between the Chinese or foreign names of these entities mentioned in this prospectus and their English translations, the Chinese or foreign version shall prevail.*

DEFINITIONS

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, words including (but not limited to) “aim”, “anticipate”, “believe”, “can”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “is likely to”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “shall”, “should”, “may”, “might”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management or future events, including our strategies, plans, objectives, goals, targets, future financial results, business prospects, future development of our industry, and general economy, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change and are not a guarantee of future performance. Actual results may differ materially from information contained in forward-looking statements as a result of a number of factors and are subject to certain risks, uncertainties and assumptions, including those disclosed under “Risk Factors” and elsewhere in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in Bangladesh, the PRC and the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- any capital expenditure plans;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our ability to maintain an effective quality control system;
- our dividend policy;
- evolving legal systems pertaining to the jurisdictions and markets in which we operate;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- changes or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

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

In this prospectus, statements of or references to our intentions or those of our Directors are made as at the Latest Practicable Date. Any such information may change in light of future developments.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks may adversely affect our business, financial condition, results of operations and prospects, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose all or part of the value of your investment. These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date, will not be updated thereafter, and is subject to the cautionary statements in “Forward-Looking Statements”.

Our operational results are subject to several risk factors that can be categorised into the following areas: (i) risks relating to our business and industry; (ii) risks relating to conducting business in Bangladesh; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

The manufacture of hair goods is labour intensive. Labour supply is key to being able to ensure the quality of our products. Our performance relies on the steady supply of skilled and low-cost labour in Bangladesh and the PRC. Our direct labour costs accounted for approximately 24.6%, 34.0% and 41.0% of our total cost of goods sold for the years ended 31 December 2014, 2015 and 2016, respectively. We cannot assure you that our supply of skilled workers would not be disrupted or that our labour costs would not increase. If we fail to retain our existing workers and/or recruit sufficient workers in a timely manner, we might not be able to accommodate sudden increases in demand for our products or execute our expansion plans.

Labour costs are primarily affected by the demand for and supply of labour, laws and regulations governing the industries operating inside the export processing zones, and other economic factors such as the rate of inflation and standard of living. Labour costs may increase due to a shortage of skilled labour or growing industry demands for skilled workers.

Any failure to identify and recruit replacement workers immediately following an unexpected loss of skilled workers could reduce our competitiveness and have an adverse effect on our business and operations. In addition, we expect continued increases in labour costs and minimum wage requirements in the PRC and Bangladesh. Although we generally pay our workers at or above the minimum wage stipulated by applicable laws and regulations in Bangladesh and the PRC, any further increase in minimum wage requirements may indirectly result in further increases to our labour costs. In these circumstances, we might not be able to increase the prices of our products to customers correspondingly. 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 adversely affected.

RISK FACTORS

We have previously been subject to labour disputes and could be subject to other labour disputes in the future that could interfere with our operations and adversely affect our business, financial condition, results of operations and prospects.

We have been subject to labour disputes in the past and could be subject to future labour disputes and adverse employee relations which could disrupt our operations and adversely affect our business, financial condition, results of operations and prospects. During the Track Record Period, we experienced work stoppages at our Bangladesh production facility on two occasions in November 2013 and June 2014, due to labour protests demanding, among others, reductions in workloads and better benefits. Each labour protest resulted in a work stoppage of four days. There were 1,210 and 1,008 workers involved in the work stoppages in 2013 and 2014, respectively, which represented approximately 22.5% and 15.5% of our total workers in Bangladesh at the respective time of the work stoppages. To meet our production schedule, we arranged for our workers to work overtime. We estimate that the additional salary paid for such overtime work in 2013 and 2014 was approximately HK\$138,000 and HK\$157,000, respectively. While our employees in Bangladesh and China are not represented by trade unions, it is possible that our employees could attempt to take collective action against us if they are dissatisfied with their employment conditions. Existing employment agreements with our employees may not prevent a strike or work stoppage in the future. We cannot assure you that we will not experience labour disputes, work stoppages, strikes or other adverse employee relations in the future.

For any future potential labour strikes, we might not be able to successfully conclude the negotiation with our workers on satisfactory terms, and we may be forced to improve their remuneration and working conditions, which could result in a significant increase in labour costs. In addition, we may experience additional work stoppages in the future, and we might not be able to produce and deliver our products in a timely manner in such circumstances. Therefore, we may encounter claims by our customers for damages, costs, expenses or loss of profit, and our reputation may be adversely affected. Future labour disputes, work stoppages or labour strikes could adversely affect our business, financial condition, results of operations and prospects.

We operate in a very competitive industry and competition among our competitors may saturate the market, resulting in lower prices and margins, and a reduction in our profitability and market share.

The industry in which we operate is highly competitive and fragmented. Competitive factors include product quality, price, design and development capability, timely delivery, valuable service, scale and capacity, and efficiency. We face competition from existing and new players in the hair goods industry worldwide, including numerous manufacturers in the PRC and Indonesia which offer similar hair goods at lower prices than we do, as well as other enterprises which offer an increasing number of related products which could be used as substitutes for our products. Our competitors conduct operations in Indonesia, Bangladesh, Cambodia or other developing countries where labour costs are relatively lower, and as a result they may adopt more competitive pricing strategies and achieve greater scales of production at lower production costs. In addition, margin pressure could arise from, among other factors, limited demand growth and overcapacity in a relevant market, price reductions by competitors, new industry players, industry consolidation, and the ability of competitors to capitalise on their economies of scale and create excess product supply.

Moreover, the entry barriers to the hair goods industry are relatively low as hair goods do not require advanced technology to produce and a small amount of production of these products does not require intensive capital investment. We therefore face intense domestic and foreign competition in terms of

RISK FACTORS

production and sales. In the overseas market, enterprises located in central and southern Asian regions where hair goods may be commonly produced (for example, India and Pakistan) have been very competitive in terms of cost as there are cheap and abundant supplies of labour. In response to increasing labour and rental costs in the PRC, some PRC manufacturers are shifting their manufacturing bases from the PRC to various Asian countries such as Indonesia and Bangladesh.

To compete effectively, we may be forced, among other actions, to reduce prices, provide more sales incentives to customers and increase capital expenditures in our labour force, plant, property and equipment. Any or a combination of these events may reduce our profitability which could, in turn, adversely affect our business, financial condition, results of operations and prospects. Any intensification of the competition or failure by us to compete successfully with our competitors could have an adverse impact on the demand for, and pricing of, our products, and as a result, could result in a reduction of our market share and have an adverse effect on our business, financial condition, results of operations and prospects.

We rely significantly on our sales in the United States and other international markets, and any event negatively affecting these jurisdictions could have an adverse effect on our business, financial condition, results of operations and prospects.

A significant portion of our revenue is derived from international markets, in particular, the United States. For the years ended 31 December 2014, 2015 and 2016, we derived 90.9%, 91.5% and 91.9% of our revenue, respectively, from outside the PRC and derived 66.0%, 73.9% and 76.3% of our revenue, respectively, from sales to the United States. As we rely heavily on our international sales and our sales to the United States, the economic conditions of these regions have had and will continue to have a significant impact on our sales and business. Any significant downturn in the global economy and particularly in the local economies of the United States could have an adverse effect on our business, financial condition, results of operations and prospects.

On 20 January 2017, Mr. Barack Obama completed his two-term presidency of the United States and Mr. Donald Trump became the new president. Since then, the new administration has made substantial changes to domestic and international policies, including but not limited to the withdrawal from the Trans Pacific Partnership Agreement and the Paris Agreement on climate change and the institution of an entry ban on citizens of seven Muslim-majority countries, which led to a wave of public discontent and international tensions. It is expected that the new administration may adopt and implement further changes to the US policies. Such changes may bring uncertainty to the global economy and/or political environment and consequently have an adverse effect on our business, financial condition, results of operations and prospects. In particular, the new administration may impose a high tariff on goods imported from China. In such circumstances, we may not be able to increase the prices of our products to customers correspondingly. If we fail to pass on all or part of these increased tariffs to our customers, our business, financial condition, results of operations and prospects could be adversely affected.

The marketing and sales of our products to each relevant geographic market also expose us to a number of risks including:

- the imposition of trade barriers, such as import requirements, tariffs, taxes and other restrictions and expenses, which may increase the prices of our products and make our products less competitive in some countries;
- political tension arising from disputes between the countries;

RISK FACTORS

- fluctuations in exchange rates of the U.S. dollar and other currencies against the Hong Kong dollars, RMB and Taka;
- impact of commercial and legal requirements in jurisdictions where our products are offered;
- unfavourable changes in the political, regulatory and business climate in jurisdictions where our products are offered; and
- our inability to obtain, maintain or enforce intellectual property rights in the overseas countries to which our products are exported.

If we are unable to effectively manage these risks, our ability to conduct or expand our business abroad could be impaired, which would, in turn, have an adverse effect on our business, financial condition, results of operations and prospects.

Our design, research and development of new hair goods may not be successful or well-received by the market, and we may lose our competitiveness if we are unable to successfully develop new products or innovative ways to meet changing market demands for products.

The sales of hair goods to a specific sales market are subject to several factors, including consumers' taste, design, fashion trends and usage. There may be changes in fashion trends and consumers may have a change in preference towards certain hair goods in the future. Our future success depends upon our ability to address the changes in consumer trends by developing and introducing new and innovative products on a timely basis and in accordance with changing demands. Our market research regarding the latest trends of hair goods may be inaccurate, or we may fail to appreciate the change in customer preferences.

We regard our product design, research and development capabilities as our key competitive edge, and we devote substantial resources to further strengthening such capabilities. During the Track Record Period, we maintained growth in our business partly due to our manufacture and sale of higher value-added products such as high-end human hair extensions. We cannot assure you that we will be able to continue to develop products or complete any product development successfully or that any new products developed will receive market acceptance. If we are unable to respond effectively to any change in consumer preferences by commercialising new products that command a sustainable gross profit margin, our business, financial condition, results of operations and prospects could be adversely affected.

Moreover, a number of our customers rely on our ability to develop new products. If our design, research and development capabilities fail to meet our customers' expectations, our business relationships with them could be adversely affected, which, in turn, would have an adverse impact on our sales performance and reputation, and eventually affect our business, financial condition, results of operations and prospects.

Further, we cannot assure you that our current or future competitors will not offer products, which are comparable or superior to our products, or adapt more quickly than us to evolving industry trends or changing market requirements. If we do not anticipate or keep pace with changes in customer demand, we may not be able to manufacture our products at competitive prices or our sales may decline as the market demand for our products declines, and our production facilities and products may become obsolete, and as a result, our business, financial condition, results of operations and prospects could be adversely affected.

RISK FACTORS

Our business, financial condition, results of operations and prospects could be adversely affected by foreign exchange rate fluctuations.

A significant portion of our revenue is derived from sales to overseas customers in foreign currencies. In the three years ended 31 December 2014, 2015 and 2016, approximately 90.9%, 91.5% and 91.9% of our revenue was denominated in U.S. dollars, respectively. We mainly operate in Bangladesh and the PRC and most of our operating expenses are denominated in the Taka and the RMB. We have entered into a US\$/RMB foreign currency forward contract to hedge our exposure to the appreciation of the RMB against the U.S. dollar on a monthly basis from July 2015 to June 2017. Pursuant to the contract, on each settlement date we receive a specified amount from the bank if the settlement rate on a valuation date is less than US\$1.00 to RMB6.21, representing the low-end of the range; conversely, we pay a specified amount to the bank if the settlement rate on a valuation date is equal or greater than US\$1.00 to RMB6.35, representing the high-end of the range. If our profit under the contract reaches the capped amount of RMB0.4 per US\$1 (on notional amount of US\$0.5 million), the transaction would terminate. Up to 31 December 2016, we had incurred a net loss of approximately HK\$4.1 million from the transactions under the contract, and we may incur further losses if the RMB continues to depreciate against the U.S. dollar. We have also entered into a US\$/HK\$ foreign currency forward contract to hedge our exposure to the appreciation of the U.S. dollar against the Hong Kong dollar on a monthly basis from January 2016 to December 2017. Up to 31 December 2016, we have realised a net gain of HK\$0.2 million from the transactions under the US\$/HK\$ foreign currency forward contract. We have not hedged our exposure to any change in the foreign exchange rate of the Taka. The value of the Taka or the RMB against the U.S. dollar and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions both in the jurisdictions in which we operate as well as globally. Our profit margins could be adversely affected to the extent that we are unable to increase the U.S. dollar denominated selling prices of our products sold to overseas customers or shift the exchange risk to our customers to account for the appreciation of the Taka or the RMB against the U.S. dollar. These fluctuations may result in exchange losses or gains or increases or reductions in our costs after translation from the U.S. dollar to the RMB or the Taka. Any appreciation of the Taka or 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 potential increase may, in turn, affect our competitiveness against competitors outside Bangladesh and/or the PRC. To the extent that we need to convert the proceeds from the Global Offering and future financing into the Taka and/or the RMB for our operations, any appreciation of the Taka or the RMB against the relevant foreign currencies could have an adverse effect on the amount of the Taka or the RMB we would receive from the currency conversion. Furthermore, any significant fluctuation in the exchange rates between the Taka or the RMB and the U.S. dollar could result in increases or decreases in our reported costs and earnings, and could also adversely affect our business, financial condition, results of operations and prospects.

We may fail to fully implement our expansion plans in Bangladesh, and we are subject to various risks in relation to upgrading our existing facilities and constructing new facilities.

We intend to expand our production capacity by investing in new production facilities and upgrading our existing facilities in Bangladesh. We plan to commence the construction of a bleaching and dyeing complex in Bangladesh, the first phase of which is scheduled to be completed by the end of 2018. We also have plans to construct and complete a total of four new production facilities in Bangladesh by the end of 2019. See “Business – Our Operations in Bangladesh – Production Expansion Plans”.

Our growth and future success will be dependent upon, among other factors, the successful completion of our proposed expansion plans and sufficient demand for our products. The upgrade or construction of any of our production facilities may be adversely affected by delays and cost overruns.

RISK FACTORS

Factors that may contribute to delays and cost overruns with respect to our expansion or upgrade include increased costs of land acquisition in Bangladesh, increases in the cost of, or inability to secure, financing, risks relating to construction, changes in safety and/or environmental requirements, delay or failure in obtaining necessary government approvals, changes in general economic conditions in Bangladesh, adverse weather conditions, natural disasters, accidents, unanticipated changes in government policies and other unforeseen circumstances and problems. A significant delay in the completion of these projects or a material increase in the costs of these projects could adversely affect the competitive advantage that we hope to achieve by undertaking such projects and may also divert our resources away from our other business operations.

Moreover, if demand for our products decreases, our expanded capacity may be under-utilised and costs incurred in the expansion might not be recovered at an economical rate or at all. Should we fail to implement our expansion plans or if there is insufficient demand for our expanded production capacity, our business, financial position, results of operations and prospects could be adversely affected.

We face challenges in achieving the goals of our business strategies, and we may not be successful in implementing our strategies and business initiatives.

In recent years, we have experienced a significant growth in our business. We have set out our business plans in the section headed “Business – Our Business Strategies” in this prospectus. We seek to pursue strategies that we believe would enhance our value, such as leveraging our market leading position in synthetic hair goods to further increase our market share in the human hair products in the “African descent – United States and Europe” market segment. We also plan to further develop our “high-end human hair extensions” product segment by expanding the sales network of our own branded high-end human hair extensions under our brands “EXT Bands” and “La Buosse” in Japan and China into salons in South Korea and Thailand. See “Business – Our Business Strategies”.

The implementation of these business strategies requires us to effectively and efficiently manage our sales, marketing, procurement, manufacture planning and other aspects of our operations. Our ability to implement such strategies will depend on a variety of factors, some of which are beyond our control, including regulatory constraints, increased competition from competitors and the general market conditions in the market segments in which we operate. For instance, while we are the market leader in the sales of synthetic hair goods to customers of African descent in the United States and Europe, we might not be as successful with sales of human hair goods, which may be more sensitive to general economic conditions and income levels of this market segment. While we believe our business strategies will help us to achieve our strategic goals, we might not be able to successfully carry out such strategies or our strategies might not yield the desired results.

We might not be able to effectively plan our production schedules and maintain high utilisation rates at our production bases, which, in turn, could adversely affect our margins and profitability.

We plan and set our production schedules in order to manage and meet the market and seasonal demands for our wide range of products. For example, we need to plan production for the Halloween season. Our production planning is subject to a number of contingencies, such as correctly anticipating the demand for our products, our labour supply, the skill set of our labour force, breakdown of our production equipment or the occurrence of natural disasters. We cannot assure you that we will be able to maintain an optimal production schedule at our production bases in the future. Maximising utilisation rates at our production facilities allows us to increase our economies of scale and allocate fixed costs over a greater

RISK FACTORS

number of units of products, thus increasing our profit margins. If we fail to implement our production planning such as properly anticipating the seasonal demand for Halloween products and effectively planning our corresponding production, our production capacity utilisation rate and in turn our business, financial condition, results of operations and prospects could be adversely affected.

Our five largest customers accounted for an aggregate of 51.0% of our total revenue for the year ended 31 December 2016, and if there is any decrease in our sales to any of them or if we fail to maintain our relationship with any of them or our other key customers, this could adversely affect our business, results of operations, financial condition and prospects.

A significant part of our revenue is derived from a limited number of customers. For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers collectively accounted for 43.6%, 52.2% and 51.0%, respectively, of our total revenue for the respective periods. For the same periods, sales to our largest customer accounted for 14.5%, 16.1% and 13.6%, respectively, of our total revenue for the respective periods.

Our current concentration on a few significant customers exposes us to the risk of substantial losses if a single significant customer stops engaging in business with us or significantly reduces orders placed with us. Specifically, any of the following events, among others, could cause fluctuations or declines in our revenue and have an adverse effect on our business, results of operations, financial condition and prospects:

- the reduction, delay or cancellation of purchase orders from one or more of our significant customers;
- the reduction in selling prices of our products;
- the rejection of our products by one or more of our significant customers due to manufacturing defects or other reasons;
- the decision by one or more of our significant customers to select one or more of our competitors to supply products over us; or
- the loss of one or more of our significant customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms.

Save for the sales of goods agreement with our second largest customer in 2015, we do not enter into long-term agreements with our customers, and we typically enter into sales orders with them on a per order basis. While we believe that the quality of our products at each price point has attracted our customers to purchase from us, we are not the exclusive supplier of our customers, and we do not receive guaranteed orders from them. We cannot assure you that our customers will continue to purchase products from us or that they would not purchase hair goods from other suppliers whom they perceive could offer products or services of equal or superior quality or at lower prices than ours.

We anticipate that our dependence on a limited number of customers that contributed a significant portion of our revenue during the Track Record Period will continue for the foreseeable future. We cannot assure you that our customer relationships will continue to develop or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base could adversely affect our business, results of operations, financial condition and prospects.

RISK FACTORS

We mainly purchase from a select number of suppliers, and any disruption in their supply could have an adverse effect on our business, results of operations, financial condition and prospects.

Our five largest suppliers collectively supplied raw materials comprising 32.5%, 34.0% and 33.7% of our cost of goods sold during the years ended 31 December 2014, 2015 and 2016, respectively. During the same periods, our largest supplier supplied raw materials comprising 22.5%, 24.9% and 23.2% of our cost of goods sold, respectively. Some of the synthetic fibres that we use in the manufacture of our products are not readily sourced from other suppliers. If there is any decrease or disruption in supply or an increase in prices by one or more of our major suppliers, particularly our largest supplier, or any termination of our business relationships with our major suppliers and we fail to find replacement suppliers on similar or favourable terms in a timely manner, our business, results of operations, financial condition and prospects could be adversely affected.

In general, we do not enter into any long-term supply agreements, which exposes us to uncertainty and potential volatility with respect to our costs of raw materials and supply of raw materials. The prices of most of our raw materials generally follow the price trends of, and vary with, prevailing market conditions. For instance, the price of synthetic fibres may be impacted by crude oil prices. During the Track Record Period, prices of synthetic fibres experienced only slight fluctuations, while human hair prices experienced significant fluctuations of up to 10%. We generally keep approximately six months and three months inventory of synthetic fibres at our production facilities in Bangladesh and China, respectively, and approximately three to four months inventory of human hair in both locations. We cannot assure you that we can continue to secure adequate supplies of raw materials at a competitive cost level to meet our production requirements. In the future, there may be legal and regulatory restrictions on the export of human hair in the countries where our human hair suppliers are located, or the import of human hair in Bangladesh or the PRC. If we experience any interruption, reduction or termination in supply of raw materials from our suppliers, or are unable to find a substitute material to meet our production schedule or to produce or at all, we might not be able to have a stable and adequate supply of raw materials needed for the production of our products. We also cannot assure you that we will be able to pass on our cost increases to the customers in a timely manner to avoid an adverse impact on our margins, and any failure to do so could have an adverse effect on our business, financial condition, results of operations and prospects.

We may fail to maintain an effective quality control system and may be subject to claims in respect of product quality and safety standards by the end-customers of our products, and our insurance coverage might not be sufficient to cover our potential losses in product liability claims.

The quality of our products is vital to the success of our business in the industry. Our quality control depends 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 machines and equipment used, quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. For details of our quality control, please refer to the section headed “Business – Quality Control” in this prospectus.

There can be no assurance that our quality control system will continue to be effective. Any significant failure in or deterioration of the efficacy of our quality control system could damage our product quality and have an adverse effect on our reputation in the market among our existing or prospective customers. It will, in turn, lead to reduced orders or loss of customers in the future, thus severely harming our business, financial condition, results of operations and prospects.

RISK FACTORS

Moreover, most of our customers will further sell our products to their end-customers in their respective target markets, and we also sell our products to end-customers via online platforms. As such, we may face an inherent risk of exposure to product liability claims in the event that the use of our products results in any health or safety issue or damage. The end-customers of our products may have the right to bring actions against us under tort, and we may also be subject to tortious liabilities for any damage caused by defects of our products, depending on the laws of the relevant jurisdiction. In addition, we have entered into an arrangement with the BEPZA and some other investors in the UEPZ for lease of land and construction of dormitory buildings for foreign investors. See “Business – Our Operations in Bangladesh – Construction of Dormitory Buildings” for more details. Although requisite permissions and licences from all relevant authorities have been obtained for the construction of the dormitory buildings, we may be exposed to building product liability claims in the event of any alleged or actual construction defects. A successful product liability claim against us may require us to pay substantial damages. Product liability claims against us, whether or not successful, may be costly and time-consuming to defend. We cannot assure you that no product liability claim will be brought against us in the future. A product liability claim, with or without merit, may result in adverse publicity against us, and could have an adverse effect on the marketability of our products and our reputation, which, in turn, would have an adverse effect on our business, financial condition, results of operations and prospects.

We have purchased product liability insurance for claims of bodily injury and/or property damage caused by our products. However, our insurance coverage might not be sufficient to cover any or all of our potential losses in product liability claims. In the event that our insurance policies do not or cannot sufficiently compensate for the losses we sustain, we may have to pay for the difference ourselves, and our business, financial condition, results of operations and prospects may be adversely affected.

We may face financial difficulties if we fail to maintain sufficient working capital.

We recorded net cash from operating activities and financing activities of HK\$29.2 million and HK\$93.2 million for the year ended 31 December 2016, respectively. For the same year, we used net cash of HK\$101.5 million in our investing activities. As at 31 December 2016, we had a total bank borrowing of HK\$503.7 million, out of which HK\$321.4 million will be due within one year. As at 31 December 2016, we had cash and cash equivalents of HK\$60.4 million and unutilised bank credit facilities of HK\$60.7 million. While we have in the past financed our working capital needs primarily with cash generated from operating activities and borrowings, we cannot assure you that we will always be able to generate net cash from operating activities or that banking facilities or other loans will always be available to us on commercially acceptable terms, or at all. Even if we are able to obtain new borrowings, any increased level of indebtedness could have a negative impact on our business. For example, any increase in finance expenses could lower our profitability, and the banking facilities that we may enter into may contain covenants limiting our flexibility in planning for, or reacting to, changes in our business. We may even be in breach of certain covenants in existing bank facilities, if we increase our level of indebtedness. We cannot assure you that we will not suffer any decline in our future working capital or cash flow position or that we will not have net current liabilities in the future. If we fail to maintain effective working capital, we may face financial difficulties, and our business, results of operations, financial condition and prospects could be adversely affected.

RISK FACTORS

Breach of covenants under the banking facilities by our Group may result in repayment on demand, which may materially affect our liquidity position.

As at 31 December 2016, we had total bank borrowings of HK\$503.7 million, some of which were repayable on demand and included in the current liabilities. We did not comply with the debt covenants on maximum inventory turnover days and gearing ratio as at 31 December 2014 and 2015 in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$9.3 million and nil as at 31 December 2014 and 2015, respectively. The lending bank subsequently waived our breach of such covenants and removed such covenants from the relevant loan facility agreement, when we renewed the loan facility in 2016. We did not comply with the debt covenant on the ratio of net debt to EBITDA (that is earnings before interest, taxes, depreciation, and amortization) as at June 2016 and have not complied with the debt covenant on the ratio of debt to tangible net worth since 31 December 2015, in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$8.3 million as at 31 December 2016. The relevant bank has subsequently waived the breach and any subsequent breach of the covenants. We did not comply with the debt covenant on the gearing ratio in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$60.4 million as at 31 December 2016. The relevant bank has subsequently granted us a waiver of the debt covenant for the year ended 31 December 2016, and the relevant covenant was removed in the renewed loan facility in 2017.

Our loan agreements may have cross default provisions. As a result, the revocation of any waiver of the covenant defaults could result in the acceleration of our indebtedness under the loan agreements which contain cross default provisions. A cross default provision is a provision in our loan agreement which states that if we breach the provisions of another loan, we will also be in breach of the first loan agreement. In addition, our indebtedness may be accelerated if our lenders conclude that we are at risk of not being able to repay the indebtedness. If our indebtedness is accelerated or declared default, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing.

Our banking facilities contain certain covenants. We cannot assure you that our subsidiaries will not breach any covenants under their respective loan agreements in the future, or that lending banks will not accelerate the repayment obligations or enforce other remedies against us. If we are required to make early repayment, our liquidity position may be materially and adversely affected. Further, if we fail to renew or obtain bank borrowings due to the failure to fulfill the financial covenants, in the future, our business, results of operations, liquidity and financial position may also be materially and adversely affected.

Our failure to manage inventory at optimal levels could have an adverse effect on our business, results of operations, financial condition and prospects.

Maintaining an optimal level of inventory is critical to the success of our business. As at 31 December 2014, 2015 and 2016, we had inventory balances of HK\$207.9 million, HK\$276.9 million and HK\$317.1 million, respectively, and our inventory turnover days for the years ended 31 December 2014, 2015 and 2016 were 201 days, 246 days and 283 days, respectively. We are exposed to increased inventory risks as a result of a variety of factors beyond our control, including, changing fashion trends and consumer needs and the inherent uncertainty of success of product launches. The nature of our business requires us to carry raw materials of different types, colours and sizes to satisfy demand from customers and facilitate our production in a short time period. Moreover, we generally estimate demand for our products ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid under-stocking or over-stocking inventory. Any unexpected change in demand for our products may result in us having out-of-stock or over-stocked items, which will

RISK FACTORS

have a direct impact on our sales and pricing strategies. Further, we cannot assure you that our inventory management measures will be implemented effectively so that we will not have significant levels of obsolete or excessive inventories. In the event that there is a sudden decrease in the market demand for our products or in the event that our new products do not successfully meet customer preference, we may experience slow movement of our inventories. We may not be able to utilise or sell our inventories swiftly, and may face the risk of inventory obsolescence. As at 30 April 2017, we utilised or sold HK\$162.0 million, or 51.1%, of the HK\$317.1 million inventory on hand as at 31 December 2016. The slow movement of our inventories may in turn lead to an increase in our inventory level and thus an increase in our inventory carrying costs or provision for impairment of inventory. Increased inventories may adversely affect our pricing strategies, and we may be forced to rely on markdowns or promotional activities to dispose of unsold items, which in turn may adversely affect our financial condition and results of operations. If we fail to manage our inventory at an optimal level, our business, results of operations, financial condition and prospects may be adversely affected.

Any major disruption at any of our production facilities, such as a breakdown of production lines or a power or utilities shortage at any of our production facilities, could adversely affect our business, financial condition, results of operations and prospects.

Our business is dependent on the uninterrupted operation of our production facilities. Our manufacturing processes in turn require a stable source of electricity. In particular, power outages are common in Bangladesh, and recently power outages have occurred more frequently. During the Track Record Period and up to the Latest Practicable Date, our Bangladesh Production Base had suffered from power failure intermittently. Given the recent shortage in electricity in Bangladesh, the local electricity supply might not be sufficiently reliable or stable for consumption at all times. Moreover, the Bangladesh government may prioritise the use of power among industries in Bangladesh and may favour a sector other than the manufacturing sector or divert power from rural centres to urban areas. The backup power at our production bases might not be sufficient to support our normal operations, and we cannot assure you that we will not experience blackouts or a shortage of electricity in the future. There is no assurance that we will be able to have adequate electricity to sustain our production, and if we are unable to manage or reduce periods of interruption of power supply, our production at our production facilities may be limited, delayed or halted, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to adequately protect or continue to use our intellectual property rights, and we may not be able to continue developing our production technology or acquire new production technology, or protect our know-how.

We use a number of trademarks and trade names in connection with our business. The success of our business, in part, depends on our continued ability to use our existing trademarks in order to increase brand awareness. Although we have a number of valid registrations, these actions may be inadequate to prevent imitation of our brand names or logos by others. Any litigation to protect our brand names and logos may require a significant commitment of time on the part of our management and may be costly.

In addition, we focus a substantial part of our operations on high value-added products. We believe that our technological know-how, such as know-how in relation to lace wigs, cannot be easily replicated or developed by our competitors. However, such technological know-how is not registrable intellectual property, and we cannot assure you that our know-how will not be misappropriated by or disclosed to third parties, or that our competitors will not be able to independently develop alternative technologies that are equivalent or superior to our technologies. If any of the above occurs, our business, financial condition, results of operations and prospects could be adversely affected.

RISK FACTORS

In addition, we have entered into a know-how licence agreement with an European-based business partner, which has extensive experience in the development, production and sale of high-end human hair extensions (“**Strategic Partner**”). Pursuant to the agreement, our Strategic Partner has granted us a non-exclusive licence to use its know-how for the manufacture and sale of wigs, toupees and hair extensions. We primarily use such know-how in the manufacture of our high-end human hair extensions. Our high-end human hair extensions are generally sold to wholesalers and hair salons where hairstylists apply the products to the end-users. Our Strategic Partner regularly assists us and our wholesalers to promote high-end human hair extensions. For the years ended 31 December 2014, 2015 and 2016, our sales of high-end human hair extensions amounted to HK\$100.7 million, HK\$130.6 million and HK\$141.5 million, respectively. If our know-how licence agreement with our Strategic Partner is terminated, we may lose our right to produce and sell this high margin product, the high-end human hair extensions. In any such circumstances, our business, financial condition, results of operations and prospects could be adversely affected.

Our success also depends on our ability to protect the intellectual property of our licensor and customers. We cannot assure you that our licensor’s and our customers’ product designs, know-how or other intellectual property rights that we have access to during the production process will not be misappropriated despite our policies and the precautions that we have taken to protect those rights. In the event that our policies and the precautions we have taken do not adequately safeguard those intellectual property rights, our customers may cease sharing their latest designs with us and even reduce or discontinue their purchase orders with us. In addition, our licensor may terminate the know-how licence agreement with us, which would have an adverse effect on our business, financial condition, results of operations and prospects.

Conversely, our success also depends in part on our ability to use and develop our product design and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. An adverse determination in any intellectual property suits or related legal and administrative proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licences from third parties, pay ongoing royalties, or redesign our products, or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies.

During the Track Record Period, our trade receivables turnover days exceeded our trade payables turnover days. If we fail to properly manage our liquidity position in view of the possible cash flow mismatch, our working capital and cash flow position and our financial position and results of operations could be adversely affected.

Our financial position and results of operations are dependent on the creditworthiness of our customers. In granting the relevant credit period to our customers, we take into account the relevant customer’s creditworthiness, payment method, pricing policy and size of sales orders. We typically grant our wholesaler customers a credit period of 30 to 90 days, and our mass retailer customers a credit period of 75 to 150 days. For the years ended 31 December 2014, 2015 and 2016, our trade receivables were approximately HK\$94.0 million, HK\$111.3 million and HK\$121.6 million, respectively, while our trade receivables turnover days were 49 days, 68 days and 72 days, respectively.

RISK FACTORS

On the other hand, we purchase most of our raw materials through letters of credit and other trade financing and some of our suppliers provide us with credit terms of 30 days. For the years ended 31 December 2014, 2015 and 2016, our trade payables were approximately HK\$6.4 million, HK\$13.2 million and HK\$17.1 million, respectively, while our trade payable turnover days were 10 days, 10 days and 14 days, respectively. As a result, our trade receivable turnover days are generally much longer than our trade payable turnover days. If we fail to properly manage our liquidity position in view of the possible cash flow mismatches, our working capital and cash flow position, financial position and results of operations could be adversely affected.

We did not make provisions for bad debts during the three years ended 31 December 2016 pursuant to the HKFRS and our accounting policies. However, there is no assurance that we will not encounter doubtful or bad debts due to a slow-down of industry growth or an individual customer's deteriorating financial condition in the future. Should we experience any unexpected delay or difficulty in collecting receivables from our customers, our working capital and cash flow position, and therefore, our financial condition and results of operations could be adversely affected.

We recorded net current liabilities as at 31 December 2016.

As at 31 December 2016, we recorded net current liabilities of approximately HK\$2.7 million. See "Financial Information – Current Assets and Liabilities" for more details. We may record net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business and make necessary capital expenditures. There is no assurance that our operations will generate sufficient cash inflow to finance all our activities and cover all our working capital requirements. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be adversely affected.

Our success depends significantly on our key management, our sales department, our design, research and development department and our ability to retain talent in each of these departments.

Our past success is attributable to the vision, experience, expertise, managerial and technical skills of our core management team led by Mr. Chang Yoe Chong Felix. Most of the members of our senior management team have over 15 years of experience in their respective fields, and many of them have been with us since our inception. We rely on their expertise and experience particularly with respect to business strategies, product designs, research and development, business operations and customers relations. If we lose the services of any of our executive Directors or members of our senior management, we might not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects could be adversely affected.

Our success is also dependent on the continued service of our sales department and the creative and innovative capacities of our design, research and development department. Our ability to recruit and retain our staff is therefore crucial to our success. Competition for suitable and experienced personnel in the hair goods industry is intense, and we may have to offer better remuneration packages in the future in order to retain our existing employees. Nevertheless, there is no assurance that we will be able to retain such employees or identify or recruit suitable and experienced new employees. If we fail to recruit or retain the necessary personnel, our business, financial condition, results of operations and prospects could be adversely affected.

RISK FACTORS

Our land and properties in Bangladesh may be subject to encumbrances or title defects that cannot be discovered, and are susceptible to challenges in the future.

Bangladesh is a developing country with a complex land system. There have been many efforts in recent years to ensure conventional development of land rights. At present, the ministries and agencies responsible for land management and administration work independently with little coordination among them. The whole process is manual, laborious and time consuming. Conventional methods of land survey, preparation and upgradation of land records and maintenance of all related data for each parcel of land, make land administration and management in Bangladesh inadequate and inefficient. As a consequence, we have yet to complete the process for updating the ownership records at local land offices for certain of our land in Bangladesh comprising approximately 5 decimals (approximately 202 sq.m.) due to the nature of this registration process. Inadequate and improper land records increase the difficulties in securing land tenure and land transfers, as land records are often misplaced or lost and there may be errors in the records. Largely as a consequence, there are still errors in the schedules and the chain of ownership of certain parcels of our land in Bangladesh comprising approximately 109 decimals (approximately 4,411 sq.m.), which are being rectified by way of a rectification deed to be registered with the relevant land registries. In addition, in Bangladesh, any encumbrances on land and properties are not recorded in any digital database, and manual searches need to be conducted in the relevant land registry offices. Thus, our lands and properties in Bangladesh may be subject to encumbrances or title defects that cannot be discovered and are susceptible to challenge in the future. If there are any encumbrances on our land and properties in Bangladesh or any material defects on the title to our land and properties, our business, financial condition, results of operations and prospects could be adversely affected.

The enforcement of the Bangladesh labour law and other labour related rules may materially affect our business, financial condition, results of operations and prospects.

The Bangladesh Labour Act, 2006, as amended by the Bangladesh Labour (amendment) Act, 2013 (“**Bangladesh Labour Act**”) and the Bangladesh Labour Rules, 2015 (collectively, the “**Bangladesh Labour Laws**”), regulate labour issues, industrial relations and employment of workers in all industries and establishments operating outside of the export processing zones in Bangladesh. The Bangladesh Labour Rules provide for strict requirements regarding the formality of appointment letters, bonuses, provident funds, holidays, wages and other labour matters. For example, the Bangladesh Labour Rules require that a worker who works continuously for a year must receive two festival bonuses in that year. The Bangladesh Labour Rules also provide detailed guidelines on health and fire safety, and prescribe the process to obtain approval of a factory plan and any extension thereof.

In addition to the Bangladesh Labour Laws, employment in industries operating inside an export processing zone is also regulated by the “Service Matters Concerning Workers and Officers Employed in the Companies Operating within the Export Processing Zones of Bangladesh” regulations as issued by the Bangladesh Export Processing Zones Authority on 14 June 1989. A draft of the Bangladesh Export Processing Zones Labour Law, 2016 was approved in the Ministerial Cabinet on 15 February 2016 but has not yet been enacted by the parliament. The draft law offers a number of benefits to the workers, including termination benefits, a provident fund, a group insurance scheme, maternity benefits, death benefits, festival bonuses, earned leave encashment options and other facilities. See “Regulatory Overview – Bangladesh Regulatory Overview – Relevant Laws and Regulations on Employment Matters” for details.

RISK FACTORS

Bangladesh Labour Laws restrict and regulate the employment of children under 14 years of age and adolescents above 14 but below 18 years of age. We do not employ children or adolescents in Bangladesh. While we endeavour to ensure that we comply with all applicable labour laws and regulations, our ability to monitor and ensure that our vendors and contractors are not in violation of such laws may be limited due to the large number of vendors and contractors. The employment of children or adolescents by our vendors and contractors, particularly in unsafe or hazardous working conditions, may have an adverse effect on our reputation, business, financial condition, results of operations and prospects.

As the labour laws and rules in Bangladesh are continuously being revised and updated to be in line with the international labour standards, we cannot assure you that we will be fully aware of any further development on such laws and rules or that we will be able to adjust our employment practice in compliance with such development in laws and rules in a timely manner. If we are held to have violated relevant labour laws and rules, we will be required to provide compensation to our employees and our business, financial condition, results of operations and prospects could be adversely affected.

Failure to obtain or renew licences, certificates and permits required in the production of hair goods could adversely affect our business, financial condition, results of operations and prospects.

Save as disclosed under “Business – Licences, Regulatory Approvals and Compliance – Non-compliance”, we possess all necessary licences, certificates and permits that are material to the production of our products. We use a number of chemicals and materials which are classified as controlled substances in Bangladesh and require specific licences for storing and using these chemicals. Failure to obtain those specific licences will adversely affect our ability to use those chemicals. Our Bangladesh subsidiaries may not be able to renew some of their licences, if they fail to comply with certain laws and regulations in the Bangladesh. For details, please refer to “Business – Licences, Regulatory Approvals and Compliance – Non-compliance”. 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, the 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. In those circumstances, our business, financial condition, results of operations and prospects could be adversely affected.

Failure to comply with the laws and regulations on environmental protection may subject us to penalties and adversely affect our business, financial condition, results of operations and prospects.

We are required to comply with existing environmental protection laws and regulations in Bangladesh and the PRC. Current national and local environmental protection regulations require a payment of fines and even closure of the production facilities once the production facilities are found to have caused serious environmental problems. While we have not been subject to any fines or penalties concerning environmental pollution in the past, we may not have complied fully with applicable environmental laws.

RISK FACTORS

For instance, as advised by our Bangladesh Legal Advisers, Evergreen Factory (BD), Dong Jin (BD), Gold Timing, Million Gold and Trillion Gold had not obtained certain environmental clearance certificates from the Bangladesh Department of Environment (“DOE”) prior to commencement of their projects. Pursuant to the Bangladesh Environment Conservation Act, 1995, industrial units or projects cannot be established or undertaken without first obtaining an environmental clearance certificate from the DOE. For details relating to these relevant laws, please refer to the section headed “Regulatory Overview – Bangladesh Regulatory Overview – Relevant Laws and Regulations on Environmental Protection” in this prospectus. We had only obtained all required environmental clearance certificates by early March 2017. Our Bangladesh Legal Advisers have advised us that operating a project without an environmental clearance certificate may subject the relevant company to a fine ranging from BDT100,000 (HK\$10,120) to BDT500,000 (HK\$50,600), and/or potential criminal liability for the respective company’s directors and senior executives. For further details, see “Business – Licences, Regulatory Approvals and Compliance”.

According to the Law of the PRC on Evaluation of Environmental Effects (《中華人民共和國環境影響評價法》), the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Administrative Measures on the Environmental Protection of Acceptance upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), evaluation of the environmental impact of construction projects must be conducted prior to construction. Based on the extent of the environmental impact, a construction unit must submit a report and obtain approvals from the relevant administrative departments of environmental protection. Upon completion of a relevant construction project, a construction unit must then apply to the respective administrative department of environmental protection for examination and approval of the facilities before the construction project can be put into operation. Under the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), we are also required to obtain certain pollutant discharge permits before commencing operations at the facilities and to also renew such permits before their expiry. For details relating to these relevant laws, see “Regulatory Overview – the PRC Regulatory Overview – Relevant Laws and Regulations on Environmental Protection”.

We had not applied for the necessary approvals before commencing construction and/or the necessary examinations and approvals before commencing operations of the construction projects from the relevant administrative departments of environmental protection for Evergreen Factory (YZ) in or about 2003 and 2006, Guangzhou Dong Jin in or about 2004 and a sub-factory of Kunming Evergreen in or about 2008. We are also in the process of renewing the pollutant discharge permit held by Evergreen Factory (YZ) which has expired. The renewal of that permit has not been completed in a timely manner because China is reforming its pollutant discharge permit system and unifying the verification and issuance requirements of pollutant discharge permit, and the verification and issuance of the pollutant discharge permit for the feather (down) industry is suspended. For further details, see “Business – Licences, Regulatory Approvals and Compliance”.

We cannot assure you that we will not be subject to any penalties arising from the non-compliance with the aforementioned laws and regulations in the future. In addition, we may incur additional costs to comply with those laws and regulations. In the event that we are subject to a fine or other penalties in respect of any such non-compliance, our reputation, business, financial condition, operating results and prospects could be adversely affected.

RISK FACTORS

Failure to comply with relevant regulations relating to social insurance and the housing provident fund may subject us to penalties and adversely affect our business, financial condition, results of operations and prospects.

Pursuant to the Law of the PRC on Social Insurance (《中華人民共和國社會保險法》) and the Administrative Regulations on Housing Provident Fund (《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, see “Regulatory Overview – PRC Regulatory Overview – Relevant Laws and Regulations on Employment Matters”.

During the three years ended 31 December 2016, we made only partial social insurance payments and housing provident fund contributions for some of our PRC employees as required under the relevant PRC laws and regulations. We estimate that the amount of social insurance payments and housing provident fund contributions that we did not make or failed to fully make, but we may be liable for, for the years ended 31 December 2014, 2015 and 2016, are approximately HK\$3.7 million, HK\$4.2 million and HK\$5.0 million, respectively, in respect of social insurance payments, and approximately HK\$1.1 million, HK\$1.1 million and HK\$1.0 million, respectively, in respect of housing provident fund contributions. While we have not received any order or notice from the local authorities nor any claims or complaints from our current and former employees as at the Latest Practicable Date regarding the shortfall in payments and contributions, we cannot assure you that we will not be subject to any order in the future to rectify such non-compliance or that there will not be any employee complaints or claims regarding social insurance payments or housing provident fund contributions made against us. For further details, please refer to the section headed “Business – Licences, Regulatory Approvals and Compliance” in this prospectus. We may also incur additional costs to comply with such laws and regulations by the PRC Government or relevant local authorities. Any such development could adversely affect our business, financial condition, results of operations and prospects.

We are subject to governmental approvals and compliance requirements in relation to our own and leased land and buildings, and any failure to comply may subject us to penalties, and adversely affect our business, financial condition, results of operations and prospects.

Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), the Administrative Measures for Building Engineering Construction (《建築工程施工許可管理辦法》) and the Administration of the Quality of Construction Works Regulations (《建設工程質量管理條例》), various permits such as the permit for planned use of land for construction, the permit for a planned construction project, the permit for project construction and certificates for passing construction completion inspections are required to be obtained at various stages of a construction project. When we constructed our buildings in Kunming in 2007 and 2008, we had not obtained certain requisite certificates or permits for construction of the buildings that we own in Kunming. As a result, as advised by our PRC Legal Advisers, we may be subject to fines or the demolition of the construction project and any such non-compliance may cause legal impediments in obtaining ownership certificates for the buildings if such certificates are sought. For further details, see “Business – Properties – Leased Properties”.

The Land Administration Law of the PRC provides that, where land that is occupied for construction purposes involves the conversion of agricultural land into land for construction, examination and approval is required and only state-owned land use rights can be sought and that land use rights of farmer collectives cannot be leased, transferred or rented for non-agricultural construction use, subject to certain limited exceptions. However, Kunming Evergreen leased a piece of collectively-owned land of a total land area

RISK FACTORS

of 6,670 sq.m. in Yanglin, Kunming in 2007. Although the land was planned to be used for farming purposes, Kunming Evergreen used such land as production factory until May 2011. In addition, Kunming Evergreen, as the lessor, entered into a sub-lease agreement (as amended by a supplemental sub-lease agreement on 19 May 2017) with an independent third party, as the lessee, on 5 May 2013, pursuant to which Kunming Evergreen sub-leased the relevant land and the buildings thereon to the independent third party for production and operation with a lease term from 1 December 2013 to 30 September 2027. The rental income obtained by Kunming Evergreen from the aforesaid sub-leasing arrangement for the years ended 31 December 2014, 2015 and 2016 was RMB250,000, RMB250,000 and RMB253,084, respectively. Our PRC Legal Advisers have advised us that Kunming Evergreen's renting and sub-leasing of such land to the third party have breached relevant regulations under the Land Administration Law and Implementing Regulations of the Land Administration Law. As advised by our PRC Legal Advisers, if the authorities determine that this is sanctionable, we may be ordered to return the land, restore the land to its original state, demolish the buildings and other facilities and be subject to fines due to the non-farm use of the land and may be further subject to administrative penalties including being ordered to make remedies within a prescribed time, confiscation of illegal gains and fines due to the sub-leasing of the relevant collectively-owned land without any permission. In addition, while we have obtained land use rights certificates specifying that we are the holders of the land use rights for our Evergreen Factory (YZ), such land use rights certificates may nevertheless be subject to challenge. For further details, see "Business – Properties – Leased Properties".

Further, the lessors of the buildings leased to Evergreen Factory (DG), Shenzhen Evergreen and Guangzhou Dong Jin for production facilities or offices have not provided us with documents evidencing their titles to the leased properties. For further details, please refer to the section headed "Business – Properties – Leased Properties" in this prospectus. We cannot assure you that the titles to the relevant leased properties will not be challenged by any third party. If the lessors do not have the requisite rights to lease certain properties, the lease agreements may be deemed invalid, and we may be required to relocate our business operation in the said leased properties. In addition, some of our lease agreements have not been registered with the relevant PRC governmental authorities as required by the PRC law. Although the failure to do so would not invalidate the leases, the use of the leased properties under the lease agreements may be challenged by bona fide third parties, and we may be subject to fines from RMB1,000 to RMB10,000 for each unregistered agreement.

If the title or the use of our own or leased properties are challenged by the relevant land administration or bona fide third parties, we may incur additional costs relating to such relocations as well as business interruption. There can be no assurance that we can relocate to comparable alternative premises without any adverse effect on our business, financial condition, results of operations and prospects.

Without adequate access to funding, we may not have sufficient resources to fund our capacity expansion or to operate our business.

Our business is labour intensive. As a result, we require access to a significant amount of capital in order to fund our continued operation and expansion. We intend to expand our production capacity through the construction of four additional production facilities in Bangladesh. We have chosen to fund a substantial portion of our capital needs with debt, and have historically satisfied our funding requirements principally through committed and uncommitted credit facilities with banks and financing arrangements with bank lenders as well as borrowings from related parties and shareholder investments. There can be no assurance that the Global Offering and our existing credit facilities will provide us with sufficient

RISK FACTORS

resources to fund our existing or future capital requirements under all conditions. To the extent that cash generated from operations and cash available under our loan agreements and credit facilities, if any, and from the proceeds of the Global Offering are not sufficient to fund capital requirements, we may require additional debt and/or equity financing. Subject to restrictions in the agreements governing our existing indebtedness, we may incur additional indebtedness, which could increase the risks associated with our substantial indebtedness. We cannot guarantee that we will be successful in obtaining the required financing or that the financing alternative chosen by us will be available to us on acceptable terms, or at all. If we are unable to maintain or grow our business, banks may be less willing to lend to us on terms acceptable to us or at all. In addition, the interest rates on our bank loans are floating rates. As such, any increase in lending rates would increase the interest costs for financing our capital requirements. If we are unable to obtain sufficient resources to fund our capital requirements, our business, financial condition, results of operations and prospects would be materially and adversely affected.

We have indebtedness that contains covenants and restrictions limiting our financial and operating flexibility.

We currently have indebtedness that contains covenants that limit our operating and financing activities. These include customary covenants that limit our ability to, among others:

- incur additional indebtedness;
- provide security or guarantees;
- sell assets;
- engage in mergers, acquisitions, consolidation or dissolution;
- distribute dividends;
- amend our Articles of Association; and
- change the Board.

See also “Financial Information – Indebtedness”. In addition, we have granted liens over certain assets to lenders to secure such indebtedness including charges.

Restrictive covenants in our indebtedness or that of our subsidiaries could limit our ability to pursue our growth plans, restrict our flexibility in planning for, or reacting to, changes in our business and industry and increase our vulnerability to general adverse economic and industry conditions.

We may enter into additional financing arrangements in the future, which could further restrict our flexibility. In addition, this indebtedness could increase our leverage and could result in higher interest expenses going forward and may lead to higher costs of borrowing in the future. Events of default under our indebtedness could give rise to a creditor’s right to accelerate the relevant indebtedness or enforce any security granted in relation to that indebtedness, and may result in a cross-default on other indebtedness, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

We may experience a decrease or discontinuation of tax incentives towards exported goods.

Evergreen Factory (BD), one of our major subsidiaries, enjoys tax incentives including a tax holiday for corporate income tax and dividend withholding taxes for a period of ten years until 2019, duty-free

RISK FACTORS

import of machinery, equipment and raw materials for export products, as well as duty-free export of goods produced in the UEPZ. For the years ended 31 December 2014, 2015 and 2016, Evergreen Factory (BD) enjoyed Bangladesh income tax exemptions of HK\$8.2 million, HK\$11.1 million and HK\$14.0 million, respectively. There is no assurance that the tax incentives will not be reduced or cancelled. In addition, after the expiry of the tax holiday, Evergreen Factory (BD) will be required to pay corporate income tax at the standard rate of 35% on half of its total tax assessable income and dividend withholding tax at the rate of 20% in Bangladesh. If there is any reduction, discontinuation or cancellation of the aforesaid tax incentives in Bangladesh, our business, financial condition, results of operations and prospects could be adversely affected.

We enjoyed a tax rebate from the PRC tax authority at the rate of 15% and 9% for our hair goods made from human hair for the period from 1 January 2014 to 31 March 2015 and for the period from 1 April 2015 to the Latest Practicable Date, respectively. The export tax rebate we received for each of the three years ended 31 December 2014, 2015 and 2016 were approximately HK\$10.4 million, HK\$6.1 million and HK\$2.0 million, respectively. The tax rebate comprised a refund of VAT incurred on the raw materials used for our production in the PRC, which products were subsequently exported to overseas countries. Effective from 1 April 2015, China reduced its export tax rebate rate for hair goods made from human hair from 15% to 9%, which effectively increased the tax rate for exporters of such hair goods. There is no assurance that China will not further reduce its tax rebate rate for hair goods or that the current policies we benefit from will not be cancelled. Tax rebate is a crucial part of exporters' profit. If there is any reduction, suspension or discontinuation of tax rebate policy, the resulting increase in our tax liability could adversely affect our business, financial condition, results of operations and prospects.

Our financial performance and results of operations could be adversely affected by import restrictions imposed by the countries to which our products are imported.

During the Track Record Period, a substantial amount of our products were sold to international customers. Many countries may have restrictions that prohibit items from being imported entirely, while others may impose taxes or require special licences in order to trade products. Among the most common forms of import restrictions are tariffs, subsidies, quotas and full-scale import bans. Each of these tools is used in certain situations where a government feels compelled to regulate the flow of goods.

We cannot assure you that the countries to which our products are imported will not impose any restrictions on the import of hair goods. If such restrictions are imposed, our business, financial condition, results of operations and prospects could be adversely affected.

Our financial results for the year ending 2017 could be adversely affected by the realisation of potential fair value loss on the Preferred Shares.

The Preferred Shares are designated as financial liabilities at fair value through profit or loss. We recorded a loss of HK\$39.3 million on the change in fair value of the Preferred Shares for the year ended 31 December 2016. The fair value loss is a non-cash item. Before the completion of the Global Offering, the Preferred Shares will be converted into Shares on a one-to-one basis, and the difference between the fair value of the Preferred Shares as at 31 December 2016 and the fair value upon the conversion of the Preferred Shares will be recognised as fair value gain or loss in our consolidated profit and loss statement for the year ending 31 December 2017. The fair value gain or loss will be a non-cash item. There will be no fair value gain or loss associated with the Preferred Shares for any financial period after 31 December 2017 on the assumption that our Listing will be completed on or before 31 December 2017. Assuming the completion of the Global Offering in July 2017 with the indicative Offer Price ranging from HK\$1.65 to HK\$1.90 per Offer Share, the estimated total fair value gain or loss to be recorded in relation to the Preferred Shares for the year ending 31 December 2017 would range from a gain of approximately HK\$1.5 million to a loss of approximately HK\$5.3 million. In the event we record any fair value loss on the Preferred Shares for the year ending 31 December 2017, it could have an adverse impact on our profit for that year.

RISK FACTORS

Our business, financial condition, results of operations and prospects could be adversely affected in the event of fire, flood, earthquakes, political unrest, acts of war, outbreak of contagious or epidemic diseases and other natural disasters, and we currently only have limited insurance coverage over such interruptions, damages or losses.

Our production facilities are located in Bangladesh and the PRC. Our business operations are subject to risks beyond our control including, among others, fire, flood, earthquakes, political unrest, acts of war, outbreak of contagious or epidemic diseases and other natural disasters. Any or a combination of these 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 Hong Kong, 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. Middle East Respiratory Syndrome (“MERS”), another highly contagious form of atypical pneumonia, has spread in the Middle East and South Korea, and Zika virus, commonly transmitted through mosquito bites, has caused the birth of infants with microcephaly. 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, MERS and Zika virus may cause disruption to 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 may be lengthy, and may result in significant increases in costs or reduction in sales. Frequent or prolonged occurrences of any of these events could have an adverse effect on our business, financial condition, results of operations and prospects.

We have purchased insurance covering against the risk of loss or damage to our facilities, equipment and our inventories (including raw materials and finished goods) caused by certain accidents and natural disasters such as fire. We also maintain marine cargo insurance to cover shipment of raw materials and semi-finished products. We have also obtained medical insurance and work-related injury insurance for our employees. However, no assurance can be given that our existing insurance coverage will be able to cover all types of, or be sufficient to cover the full extent of any, loss, theft of or damage to property or injury to person for which we may be held liable.

RISKS RELATING TO CONDUCTING BUSINESS IN BANGLADESH

Political instability in Bangladesh may have an adverse effect on our operations.

Our principal manufacturing capacities are currently housed in our Bangladesh Production Base. As at 31 December 2016, we had a total of approximately 13,000 employees in Bangladesh. We also intend to continue to expand our production capacity and increase the scope of our operations in Bangladesh.

Operating in developing countries exposes us to risks associated with regional, political and economic instabilities that could have a disproportionately negative effect on our business, financial condition, results of operations and prospects. For example, on 1 July 2016, assailants armed with guns and explosives attacked an upscale cafe in Dhaka, the capital of Bangladesh, in southern Bangladesh and took dozens of hostages. In the end, 22 civilians (including 18 foreigners), five gunmen, and two police officers were killed, while 50 others, mostly police personnel, were injured in the attack. Since 2013, a number of secularist and atheist writers, bloggers and publishers in Bangladesh have also been killed or seriously injured in small-scale terrorist attacks that are believed to be perpetrated by Islamist extremists. These attacks have resulted in polarising the political sentiment of the country. As a result of these terrorist incidents, expatriate workers might not be interested in working in Bangladesh due to the heightened state

RISK FACTORS

of alarm caused by the terrorist activities. We cannot assure you that there will not be other terrorist attacks in Bangladesh. In the event of any terrorist attack, Bangladesh's infrastructure may be negatively affected. Transportation of our raw materials, equipment and finished goods may be disrupted. Employee morale may be adversely affected. Our production may be interrupted and our facilities, equipment and inventories may suffer loss and damages. In such circumstances, our business, financial condition, results of operations and prospects could be adversely affected.

Our operations in Bangladesh and our ability to maintain such operations may be adversely affected by changes in the political stability of the Bangladesh government. In the past, Bangladesh has from time to time experienced political unrest because of, among other things, non-participation of the major opposition parties in the Parliament and non-cooperation between the governing coalition and the opposition political parties. The January 2007 elections were postponed following a series of country-wide strikes and transportation blockages, as a result of which President Iajuddin Ahmed declared a state of emergency and installed a caretaker government. While the parliamentary elections in December 2008, conducted by the caretaker government, were mostly peaceful, in May 2011, the Supreme Court declared the provision of a caretaker government "illegal" and "beyond the power" of the constitution, which has triggered a myriad of responses from all political factions. The major opposition parties boycotted the general elections held on 5 January 2014 and challenged the credibility of the elections. President Abdul Hamid, the former Speaker of the Parliament, was elected as President by the Parliament in April 2013, following the death of President Zillur Rahman in March 2013. Bangladesh also experienced political instability in late 2013, including political violence, protests, strikes, shutdowns and war crimes trials of political leaders conducted by Bangladesh's International Crimes Tribunal. We cannot guarantee that the political turmoil will not continue, that future presidential or parliamentary elections in Bangladesh will not be accompanied by social unrest or that the country's political climate will not be negatively affected, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, political instability has in the past, and may in the future, result from events in the region in which Bangladesh is located. Bangladesh is principally bordered by India, Myanmar and the Bay of Bengal. The potential movement of terrorists through Bangladesh poses threats to Bangladesh's neighbours, including India, Nepal, Myanmar and Bhutan, as well as to Bangladesh itself. Although the Bangladesh government has moved to neutralise some extremist movements, the country continues to experience violence along its borders. The political instability, aggravated by tension between certain minority communities and religious fundamentalists, as well as the social and religious unrest in Asia, could create a perception that investment in Bangladeshi companies involves a higher degree of risk than investment in other companies. There can be no assurance that the operation of our business will not be negatively affected by events of this nature, which could have an adverse effect on our financial condition, results of operations and prospects.

In the event of political instability, our operations in the Bangladesh Production Base may be subject to prolonged disruption, and our property, plant and equipment may be confiscated. In such circumstances, we may need to relocate our production base from Bangladesh to China and Indonesia. For the details of our backup relocation plan, see "Business – Our Operations in Bangladesh – Backup Relocation Plan for our Bangladesh Production Base". We estimate that our backup relocation plan would help us achieve only approximately 70% and 85% of our revenue derived from our Bangladesh Production Base for the year ended 31 December 2016 in the first year and the second year, respectively, after the activation of the backup relocation plan. Should we activate our backup relocation plan, our business, financial position, results of operations and prospects could be adversely affected. In addition, the success of the relocation

RISK FACTORS

may be dependent on, among other factors, the recruitment of workers, lease of suitable factory buildings, successful completion of construction of new factory buildings, financing of our relocation plans and procurement of machinery and tools. We cannot assure you that we can relocate our production base as planned, or at all. We estimate the costs to relocate our operations in Bangladesh to our China Production Base and a new production base in Indonesia would range from approximately HK\$30 million to approximately HK\$45 million. If, in the worst case scenario, we cannot transfer any equipment and materials out of Bangladesh, we may need to purchase additional machines, tools and materials and the estimated cost for those purchases would range from approximately HK\$27.9 million to approximately HK\$46.5 million. In addition, due to the difference in labour costs between China and Bangladesh, we may incur additional labour and sub-contracting costs in China in the estimated sum of approximately HK\$57 million and HK\$62 million in the first year and the second year, respectively, after the activation of our relocation plan. There is no assurance that we could obtain sufficient funding for our relocation, either from our operations or additional external borrowings. Should we fail to implement our backup relocation plan or our backup relocation plan become infeasible, our business, financial position, results of operations and prospects could be adversely affected in the event of prolonged disruption to operations due to political instability.

Bangladesh possesses a relatively uncertain and complex regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and expose us to claims.

The application of the laws of any particular country is not always clear or consistent. This is particularly true in emerging-market countries such as Bangladesh where the legislative drafting has not always kept pace with the demands of the marketplace, which can make it difficult to ensure that we are in compliance with changing legal requirements. Moreover, the government has broad discretion in the grant of its licences and permits, including revocation for public interests. In addition, regulations are often introduced that require us to implement changes that are costly and technologically challenging. The regulators responsible for the control and supervision of communications services in Bangladesh frequently check our compliance with the requirements of the applicable regulations.

We may incur significant costs in implementing such compliance, or we may be unable technologically to implement all such requirements. We cannot be certain that in the course of future inspections, we will not be found to be in violation of the applicable regulations. If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to, among other things, significant fines, the risk of prosecution or the suspension or loss of our licences, frequency allocations, authorisations or various permissions, any of which could have an adverse effect on our business, financial condition, results of operations and prospects.

Investors may experience difficulty in enforcing foreign judgments in Bangladesh.

A substantial portion of our assets are located in Bangladesh. Bangladesh has not entered into any treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. A party with a judgment rendered by a foreign court, such as a court in Hong Kong or China, cannot apply for recognition and enforcement of such judgment in Bangladesh. As a result, it may be difficult or impossible for investors to seek recognition and enforcement of foreign judgments in Bangladesh.

Our business, financial condition, results of operations and prospects could be adversely affected by the poor condition of infrastructure in Bangladesh.

Infrastructure in Bangladesh is relatively undeveloped. Many roads are of poor quality, narrow, and dangerous. Most parts of Bangladesh are regularly flooded during the monsoon season. The waterways are

RISK FACTORS

an important mode of transportation, especially to some remote areas of the country, as no other mode of transportation is available during monsoon season. We transport our products by trucks along roads that lead to the Chittagong port, through which we ship our goods internationally. The conditions of the roads affect our delivery and logistics and may result in delays, which could have an adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that we will not experience any transportation and logistics issues in the future.

Natural disasters such as flooding and cyclones are common in Bangladesh, and may result in significant damage to infrastructure, including power and communications systems, and adversely affect our operations.

Bangladesh is a low-lying, riparian country with a large, marshy jungle coastline. Straddling the Tropic of Cancer, Bangladesh has a subtropical monsoon climate and is subject to heavy seasonal rainfall, floods, tropical cyclones, tornadoes and tidal bores almost every year. Natural disasters occur frequently in Bangladesh and can be particularly damaging with respect to loss of life and property. For example, in June 2012, extreme rainfall resulted in flooding and landslides that claimed over 100 lives and affected over a million people across the country, according to the International Federation of Red Cross and Red Crescent Societies. Natural disasters can also significantly impact infrastructure, including power and communication systems. Accordingly, future natural disasters, which could become more frequent as a result of climate change, could adversely affect our business, financial condition, results of operations and prospects.

Continued corruption in Bangladesh could materially and adversely affect the Bangladesh economy.

Corruption and poor governance in Bangladesh have historically been a hindrance to the Bangladesh government's ability to attract foreign investment and to reduce poverty. Bangladesh is currently still ranked 145 out of 176 countries in the Transparency International's 2016 Corruption Perceptions Index and 176 out of 190 countries in the World Bank's 2017 Ease of Doing Business Index. Failure of the Bangladesh government to continue to fight corruption or the perceived risk of corruption in Bangladesh could have an adverse effect on the Bangladesh economy, which may adversely affect our business, financial condition, results of operations and prospects.

Changes in the economic and legal environment of Bangladesh, and Bangladesh's less developed legal system, may adversely affect our business, financial condition, results of operations and prospects.

We began our operations in Bangladesh in May 2010 and intend to expand our manufacturing capabilities in Bangladesh. Our business operations are subject to the economic and legal environment in Bangladesh. Bangladesh's economy differs from the economies of other countries in many respects, including, but not limited to, government involvement, level of development, growth rate, allocation of resources and inflation rate. As a result of these differences, our business might not develop in the same way or at the same rate as expected if Bangladesh's economy were similar to those of developed countries. Bangladesh government has implemented economic reform measures for the development of Bangladesh's economy. The refining and adjustment process might not necessarily have a positive effect on our operations and business development. Many of the reforms may be subject to revision, change or abolition. Furthermore, we cannot assure you that the Bangladesh 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 economic reforms adversely affect us or our business, or if we are unable to capitalise on the economic reform measures of the Bangladesh government, our business, financial condition, results of operations and prospects could be adversely affected.

RISK FACTORS

Although the Bangladesh government has made progress in the development of laws and regulations, the laws in Bangladesh and its legal system are still in a developmental stage and are subject to change, and there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. As such, we may be subject to claims or defences to actions that parties would not encounter in jurisdictions with more established legal regimes. The outcomes of litigations might not always turn out as anticipated. As a result, it may be difficult for us to pursue a claim against our counterparties or defend a claim brought by our counterparties in Bangladesh. In addition, we may be deprived of the tax benefit we are currently enjoying in Bangladesh. Any such event may adversely affect our business, financial condition, results of operations and prospects.

Changes in the laws and regulations governing the industries operating in export processing zones could adversely affect our business, financial condition, results of operations and prospects.

As at the Latest Practicable Date, the Bangladesh government has established a total of eight export processing zones to attract foreign capital investment. We commenced production in Bangladesh in May 2010 by renting a facility in the Uttara Export Processing Zone, or UEPZ, and currently have one manufacturing centre consisting of six buildings inside the UEPZ.

The Bangladesh government provides numerous incentives to investors for opening factories in export processing zones. For example, dealing in foreign currency is strictly regulated by the Bangladesh Bank and only certain authorised dealer's licensed bank branches, are allowed to remit foreign currency outside Bangladesh. Furthermore, no other person may deal in foreign exchange without the prior consent of the Bangladesh Bank. However, export processing zones operate under a slightly different foreign exchange regime. Industries inside export processing zones are permitted to open and maintain foreign currency accounts with offshore banking units of local banks to receive foreign currency denominated export proceeds, and they can also use such accounts to pay foreign currency denominated bills. In addition, the industries operating in the export processing zones enjoy a special tax regime in Bangladesh. For example, Evergreen Factory (BD), one of our major subsidiaries, enjoys a tax holiday for a period of 10 years until 2019, during which Evergreen Factory (BD), one of our major subsidiaries, is exempted from paying corporate income tax and dividend withholding tax. However, the tax holiday programme changed in 2012 to offer subsequent investors tax holidays of only up to seven years.

If the laws and regulations governing the industries operating in export processing zones change, we may need to comply with strict requirements when dealing in foreign currency or conducting operations in Bangladesh, and incur substantial expenditure in compliance with applicable laws and regulations. For instance, although contribution to the Workers' Profit Participation Fund ("WPPF") has not yet been imposed on export oriented industries other than in the garment sector, it is expected that the Bangladesh government will extend this requirement to other industries in the near future, which would require other export oriented industries to make contributions to the WPPF equal to 0.03% of the export proceeds. If this requirement were to apply to us, it would have some impact on the future return potential of our Bangladesh subsidiaries. Any non-compliance with the laws and regulations in Bangladesh could result in investigation or penalty by the Bangladesh government, which could adversely affect our business, financial condition, results of operations and prospects.

Our ability to enter into foreign exchange transactions may be subject to approval of regulatory authorities such as Bangladesh Bank and the BIDA and we may be unable to make foreign currency payments if we do not receive these approvals.

We currently enjoy the ability to freely engage in foreign exchange transactions in Bangladesh in connection with our UEPZ Production Centre. Generally there are strict foreign exchange regulations in

RISK FACTORS

Bangladesh. Under local law in Bangladesh, the consent of regulatory authorities is required before a company can engage in certain foreign exchange transactions. For example, a party would need to obtain Bangladesh Bank and BIDA approval to incur debt in a foreign currency (but no separate approval is required to convert currency for the repayment of such debt according to the original approval) or to remit management fees or service fees abroad. Any such approval, if required, would be granted at the sole discretion of the Bangladesh Bank, and there can be no assurance that such approval would be granted in a timely manner, if at all.

The process to obtain regulatory approvals in Bangladesh can be slow and elaborate and there can be no assurance that the regulatory authorities will grant the approvals we may request. If we are unable to obtain the required approvals in respect of any material transactions, our business, financial condition, results of operations and prospects could be adversely affected.

The economy in Bangladesh may be subject to periods of high inflation that could adversely affect our business, financial condition, results of operations and prospects.

Government anti-inflation policies and a decline in global commodity and petroleum prices have led to a decrease in Bangladesh's inflation rate. Inflation rate in Bangladesh averaged 6.7% from 1994 until 2016, reaching an all time high of 16% in September 2011. The inflation rate in Bangladesh in December 2016 only reached 5.0%. While these inflation rates are lower than rates of earlier years, there can be no assurance that Bangladesh's economy will not be subject to future periods of high inflation. Should inflation in Bangladesh increase significantly, our costs including labour costs and transportation costs are expected to increase. Furthermore, a high inflation rate could have an adverse effect on Bangladesh's economic growth and business climate and dampen consumer purchasing power. As a result, a high inflation rate in Bangladesh could adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition, results of operation and prospects.

As at the Latest Practicable Date, we had substantial operations in the PRC, including our production centre in Kunming, Yunnan, our production and research and display centre in Nantou, Shenzhen, and our processing and dyeing centre in Yuzhou, Henan. Accordingly, our results of operations and prospects are also subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising 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 portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors may affect the economic conditions in the PRC and, in turn, our business.

The enforcement of the Law of the PRC on Labour Contract (《中華人民共和國勞動合同法》), social insurance law and other labour related regulations could adversely affect our business, financial condition, results of operations and prospects.

Pursuant to the Law of the PRC on Labour Contract (《中華人民共和國勞動合同法》), or the Labour Contract Law, effective in January 2008 and amended in July 2013, and its implementation rules

RISK FACTORS

that became effective in September 2008, employers are subject to strict requirements in terms of signing labour contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labour contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labour practices, the Labour Contract Law and its implementation rules could limit our ability to effect those changes in a desirable or cost-effective manner, which would adversely affect our business, financial condition, results of operations and prospects. On 28 October 2010, the SCNPC promulgated the Law of the PRC on Social Insurance (《中華人民共和國社會保險法》) or the Social Insurance Law, which became effective on 1 July 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. In addition, the employers must register with the competent housing provident fund management authority and upon the examination by such management authority, complete procedures for opening an account at the relevant banks for the deposit of their employees' housing provident fund.

As the interpretation and implementation of the Labour Contract Law, the Social Insurance Law and other labour related regulations (the “**labour-related laws and regulations**”) are still evolving, we cannot assure you that our employment practice does not and will not violate labour-related laws and regulations in the PRC, which may subject us to labour disputes or government investigations. If we were deemed to have violated relevant labour-related laws and regulations, we would be required to provide additional compensation to our employees and our business, financial condition, results of operations and prospects could be adversely affected.

The PRC Government controls currency conversion, and the fluctuation of the RMB could affect our business, financial condition, results of operations and prospects.

The PRC Government imposes control over the convertibility of the RMB into foreign currencies and the remittance of currency out of the PRC in some cases. Under existing PRC foreign exchange regulations, payments of current account items including profit distributions, interest payments and expenditures from trade related transactions can be made in foreign currencies without prior approval from SAFE or its local counterparts, provided that we satisfy certain procedural requirements. Even though the controls over capital account transactions have been gradually liberalised and reformed to some extent, the capital account transactions still need to be approved by or registered with SAFE or its local counterparts. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we might not be able to pay dividends in foreign currencies to our Shareholders, which could adversely affect the value of your investment.

RISK FACTORS

Any dividend payments from our PRC subsidiaries for funding are subject to restrictions under PRC laws and might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC if paid to our Hong Kong subsidiaries.

We are a holding company incorporated in the Cayman Islands, and we operate our core businesses, among others, through our subsidiaries in the PRC. While our PRC subsidiaries do not currently pay dividends, our PRC subsidiaries may pay dividends or otherwise make distributions to us in the future. If our subsidiaries in the PRC incur debt or losses, their ability to pay dividends or other distributions to us could be impaired. PRC laws require that dividends be paid only out of the after-tax profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require enterprises established in the PRC to set aside part of their after-tax profits as statutory reserves.

Under the EIT Law, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from a PRC subsidiary to its 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 shareholders obtain approval from competent local tax authorities for the 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% for the dividends distributed if a Hong Kong resident enterprise is the beneficial owner of at least 25% of a PRC company distributing the dividends. According to the Announcement of the SAT on Promulgation of the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), also known as 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 the SAT are 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 follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident should file documents as required by the 2015 Administration Measures with the 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 would 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 the non-payment or underpayment of the tax within a specified time frame. Moreover, according to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in 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》) promulgated by the SAT on 20 February 2009, if the main purpose of a transaction or 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. We cannot assure you that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiary and received by our Hong Kong subsidiary.

RISK FACTORS

Uncertainties with respect to the PRC legal system could have an adverse effect on our business, financial condition, results of operations and prospects.

A part of our business and operations are conducted in the PRC and governed principally by 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 organisation 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 might not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Economic and social development among different regions of the PRC is unbalanced. On the one hand, the laws and regulations in the PRC are promulgated in broad principles. On the other hand, the rules may be enacted by the government of provinces, autonomous regions and other legislative bodies according to local economic and social conditions, so long as those rules do not contradict the promulgated laws and regulations. Therefore, a legal issue may encounter different treatment in different regions, which may lead to uncertainties and inconsistencies regarding interpretation and enforcement of the PRC laws.

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 might 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 materialisation of all or any of these uncertainties could have an adverse effect on our business, financial position, results of operations and prospects.

Present or future environmental and safety laws and regulations in the PRC could have an adverse effect on our business, financial condition, results of operations and prospects.

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 conduct 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 that 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 which will give rise to environmental liabilities will be discovered or any environmental laws adopted in the future will not 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 or failure to comply with new environmental laws or regulations could have an adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC Government has implemented various policies from time to time to control inflation. For example, the PRC Government introduced measures in certain sectors to avoid overheating the PRC economy, such as increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC Government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by the PRC Government measures, our cost of sales would increase. Our profitability could be reduced if we are not able to pass any cost increases onto our customers. Measures adopted by the PRC Government to control inflation may also slow economic activity in the PRC and increase our production costs and reduce demand for our products.

RISKS RELATING TO THE GLOBAL OFFERING

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

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 our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and 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 and 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 market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcements by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the hair goods industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;

RISK FACTORS

- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, Bangladesh, the PRC and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations could adversely affect the market price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when trading commences.

The Offer Price is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors might not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares may fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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 the Global Offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to business conditions or other future developments relating to our existing operations, acquisitions, expansion or strategic partnerships. If additional funds are raised through issuance of new equity or equity-linked securities by us other than on a pro rata basis to our then 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, restrictions may be placed on us through such debt financing arrangements that could:

- limit our ability to pay dividends or require us to seek consent prior to 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 working capital requirements, capital expenditures and other general corporate needs; and
- limit our flexibility in planning for or reacting to changes in our business and our industry.

RISK FACTORS

Dividends paid in the past might 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 Board and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual and regulatory restrictions and other factors that our Board deems 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, among others, Hong Kong, the PRC and Bangladesh in accordance with our dividend and distribution policy as described in “Financial Information – Dividend Policy”.

Our Controlling Shareholders may exert substantial influence over our operation and might not act in the best interests of our public Shareholders.

Immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders through Evergreen Holdings will own approximately 54.8% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. Subject to the Cayman Companies Law, they will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders might not always align with our Group or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, could be disadvantaged as a result.

Current volatility in the global financial markets could cause significant fluctuations in the price of the Shares.

Financial markets around the world have been experiencing heightened volatility since 2008. Upon Listing, the price and trading volume of the Shares will likely be subject to market fluctuations that are unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our trading volume and stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to us;

RISK FACTORS

- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of Shares may decline significantly, and you may lose all or a significant part of your investment.

The results of the United Kingdom’s referendum on withdrawal from the EU may have an adverse effect on global economic conditions, financial markets and therefore our business, financial condition, results of operations and prospects.

The United Kingdom held an in-or-out referendum on 23 June 2016 regarding its membership within the European Union, in which a majority of the voters voted in favour of the British government taking the necessary actions for the United Kingdom to leave the European Union. A process of negotiations will determine the future terms of the United Kingdom’s relationship with the EU. Details around the negotiation process, including the length of time this process will take and the likely outcome, remain unclear. The implications of the United Kingdom withdrawing from the EU and the impact this will have on our business are similarly unclear because they will depend, among other things, on the outcome of the negotiation process. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal from the EU. These developments, or the perception that any of them could occur, have had and may continue to have an adverse effect on global economic conditions and the stability of global financial markets, and may reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. The uncertainty that has been created by the British referendum (which could continue during the period of negotiation) and the exit of the United Kingdom from the EU could adversely affect European and worldwide economic and market conditions and could contribute to further instability in the global financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition, results of operations and prospects, and reduce the price of Shares.

Sales, or perceived sales, 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.

Our Controlling Shareholders, subject to certain exceptions, have agreed to a lock-up arrangement until six months after the Listing Date. For details, see “Underwriting”. In addition, SEAVI Advent has undertaken to our Company that, except for the arrangement under the Global Offering (including the sale of initially 30,750,000 Sale Shares under the International Placing, the Over-allotment Option and the arrangements under the Stock Borrowing Agreement), for a period of six months from the Listing Date, SEAVI Advent will not dispose of, nor will it enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of its Shares. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders and substantial Shareholder may dispose of our Shares. Sales of substantial amounts of Shares in the public market after completion of the Global Offering or the perception that these sales may occur could adversely affect the market price of Shares.

RISK FACTORS

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. There could have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus, press and media coverage regarding us or the Global Offering, which may include certain financial information, financial projections, valuations, and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it, and you should not rely on such information.

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, our 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.

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

Certain facts, forecasts, statistics, data and industry information presented in “Industry Overview” and elsewhere in this prospectus relating to the global and other markets of the hair goods industry have been derived, in part, from various publications and industry-related sources prepared by government officials or third parties. Statistics provided by Frost & Sullivan are also subject to assumptions and methodologies set forth in “Industry Overview”. 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. However, neither we, our Directors, the Sole Sponsor nor any of the parties involved in the Global Offering have independently verified, or made any representations as to the accuracy and completeness of such information. We cannot assure you that information derived from such sources will be prepared on a comparable basis or that such information 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 information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirmed 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 there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

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

The Hong Kong 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 in this prospectus and the Application Forms. 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 in this prospectus must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, advisers or representatives or any other parties involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”, and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute or create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the related Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares, 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 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 from those authorities.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme. None of our Shares or loan capital of our Company are listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchanges.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

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

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

THE SELLING SHAREHOLDER

Set forth below are certain particulars of the Selling Shareholder:

<u>Name</u>	<u>Number of Sale Shares (assuming that the Over-allotment Option is not exercised)</u>	<u>Additional number of Sale Shares offered pursuant to the Over-allotment Option</u>
SEAVI Advent	30,750,000	27,675,000

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 12 July 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 12 July 2017.

The Shares will be traded in board lots of 2,000 Shares each.

The stock code of our Shares will be 1962.

PROFESSIONAL TAX ADVICE RECOMMENDED

Professional investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of their operations, domicile, residence, citizenship or incorporation. None of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Selling Shareholder, us, any of our or their respective directors, officers, agents, employees, advisers or representatives, or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, our shares (or exercise of any rights attaching to them).

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, International Corporation Services Ltd., in the Cayman Islands, and our Company's register of members in Hong Kong will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

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

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering (including the Hong Kong Public Offer and its conditions) are set out in "Structure of the Global Offering".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Unless otherwise specified, for illustrative purposes only, amounts denominated in Bangladesh Taka, Renminbi and U.S. dollars have been, respectively, converted into Hong Kong dollars in this prospectus at the following rates:

RMB1.0	=	HK\$1.1612
BDT1.0	=	HK\$0.1012
US\$1.0	=	HK\$7.78

No representation is made that any amounts in one currency can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

LANGUAGE

English translations of the Chinese names or words which are included in this prospectus are for identification purposes only, and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency, the Chinese names or words shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
--

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Chang Yoe Chong Felix (張有滄)	Flat A, 15/F Wing Hong Mansion 62 MacDonnell Road Mid-Levels Hong Kong	Chinese
Chan Kwok Keung (陳國強)	Flat F, 18/F One New York 468 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong	Chinese
Kwok Yau Lung Anthony (郭猶龍)	Flat C, 43/F, Block 1 The Long Beach No. 8 Hoi Fai Road Kowloon Hong Kong	Chinese
Jia Ziyang (賈子英)	Flat 303, Block 6A Mingxigu 12 Gongye Sixth Road Nanshan District, Shenzhen Guangdong PRC	Chinese
Li Yanbo (李炎波)	Flat 303, Block 6A Mingxigu 12 Gongye Sixth Road Nanshan District, Shenzhen Guangdong PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
--

Name	Residential address	Nationality
<i>Non-Executive Directors</i>		
Chang Chih Lung (張之龍)	Flat B, 17/F Wing Hong Mansion 62 MacDonnell Road Mid-Levels Hong Kong	Chinese
Chan Lau Yui Kevin (陳劉裔)	A1, 2/F, Cherry Court 12 Consort Rise Pok Fu Lam Hong Kong	Chinese
Chan Hoi Sing Harold (陳愷承)	Flat E, 31/F, Tower 2 Robinson Place 70 Robinson Road Mid-Levels Hong Kong	Chinese
<i>Independent Non-Executive Directors</i>		
Lau Ip Keung Kenneth (劉業強)	Flat D, 1/F, 45 Castle Peak Road Tuen Mun New Territories Hong Kong	Chinese
Sin Hendrick (洗漢迪)	30B, The Albany 1 Albany Road Mid-Levels Hong Kong	Chinese
Yung Bruce Pak Keung (容伯強)	Flat B, 19 Caperidge Drive Peninsula Village Discovery Bay Lantau Island Hong Kong	Chinese
Szeto Yuk Ting (司徒毓廷)	Flat 1A, 10/F Grandview Tower 130 Kennedy Road Wan Chai Hong Kong	Chinese

Further information about our Directors and other senior management members is set out in “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING
--

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

CIMB Securities Limited
25th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Joint Global Coordinators

CIMB Securities Limited
25th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited
35/F Office Tower
Convention Plaza
No.1 Harbour Road
Wanchai
Hong Kong

Joint Bookrunners

CIMB Securities Limited
25th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited
35/F Office Tower
Convention Plaza
No.1 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

Units 3501-7 & 3513-14
35/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Mason Securities Limited

Portion 1, 12/F, The Center
99 Queen's Road Central
Hong Kong

Huarong International Securities Limited

29/F One Pacific Place
88 Queensway
Hong Kong

Joint Lead Managers

CIMB Securities Limited

25th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited

35/F Office Tower
Convention Plaza
No.1 Harbour Road
Wanchai, Hong Kong

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

Units 3501-7 & 3513-14
35/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Mason Securities Limited

Portion 1, 12/F, The Center
99 Queen's Road Central
Hong Kong

Huarong International Securities Limited

29/F One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Legal Advisers to our Company

As to Hong Kong law:

Jones Day

31/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Bangladesh law:

Doulah & Doulah

Doulah House, Plot-153/2, Road-2/2
Mirpur-12A, Dhaka-1216
Bangladesh

As to PRC law:

Haiwen & Partners

20/F, Fortune Financial Centre
5 Dong San Huan Central Road
Chaoyang District
Beijing
PRC

As to Cayman Islands law:

Travers Thorp Alberga

1205A The Centrum
60 Wyndham Street
Central
Hong Kong

Legal Advisers to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters

As to Hong Kong law:

Norton Rose Fulbright Hong Kong

38/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to Bangladesh law:

DFDL Bangladesh

2nd Floor, Zenith Tower
40 Kawran Bazar
Dhaka 1215
Bangladesh

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Commerce & Finance Law Offices
27C, Shenzhen Te Qu Bao Ye Building
6008 Shennan Road
Shenzhen
PRC

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai, 200232
PRC

Compliance Adviser

**China Galaxy International Securities (Hong
Kong) Co., Limited**
Units 3501-7 & 3513-14
35/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	PO Box 472, 2nd Floor Harbour Place, 103 South Church Street George Town, Grand Cayman KY1-1106 Cayman Islands
Principal Place of Business and Head Office in Hong Kong	11th Floor, Chiap Luen Industrial Building 30-32 Kung Yip Street Kwai Chung, New Territories Hong Kong
Company's Website	www.epfhk.com <i>(This website and information on this website does not form part of this prospectus)</i>
Company Secretary	Ms. Leung Pui Yee, <i>HKICPA, FCCA</i> Room 5, 34/F, Choi Pak House Choi Ming Court Tseung Kwan O New Territories Hong Kong
Authorised Representatives	Mr. Kwok Yau Lung Anthony Flat C, 43/F, Block 1 The Long Beach No. 8 Hoi Fai Road Kowloon Hong Kong Ms. Leung Pui Yee, <i>HKICPA, FCCA</i> Room 5, 34/F, Choi Pak House Choi Ming Court Tseung Kwan O New Territories Hong Kong
Audit Committee	Mr. Sin Hendrick (<i>Chairman</i>) Mr. Lau Ip Keung Kenneth Dr. Yung Bruce Pak Keung Mr. Szeto Yuk Ting
Remuneration Committee	Mr. Szeto Yuk Ting (<i>Chairman</i>) Mr. Chang Yoe Chong Felix Mr. Lau Ip Keung Kenneth Mr. Sin Hendrick Dr. Yung Bruce Pak Keung

CORPORATE INFORMATION

Nomination Committee

Mr. Chang Yoe Chong Felix (*Chairman*)
Mr. Lau Ip Keung Kenneth
Mr. Sin Hendrick
Dr. Yung Bruce Pak Keung
Mr. Szeto Yuk Ting

Principal Share Registrar

International Corporation Services Ltd.
P.O. Box 472, 2nd Floor
Harbour Place
103 South Church Street
George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banks

**Bank of China (Hong Kong) Limited
(Kwai Cheong Road Branch)**
40 Kwai Cheong Road, Kwai Chung
New Territories
Hong Kong

**The Hongkong and Shanghai Banking
Corporation Limited
(Kwai Hing Branch)**
Shop 2, 3/F, Sun Kwai Hing Plaza
166-174 Hing Fong Road, Kwai Chung
New Territories
Hong Kong

**Hang Seng Bank Limited
(Telford House Branch)**
Shop 3B, 1/F, Telford House
Kowloon Bay
Kowloon
Hong Kong

INDUSTRY OVERVIEW

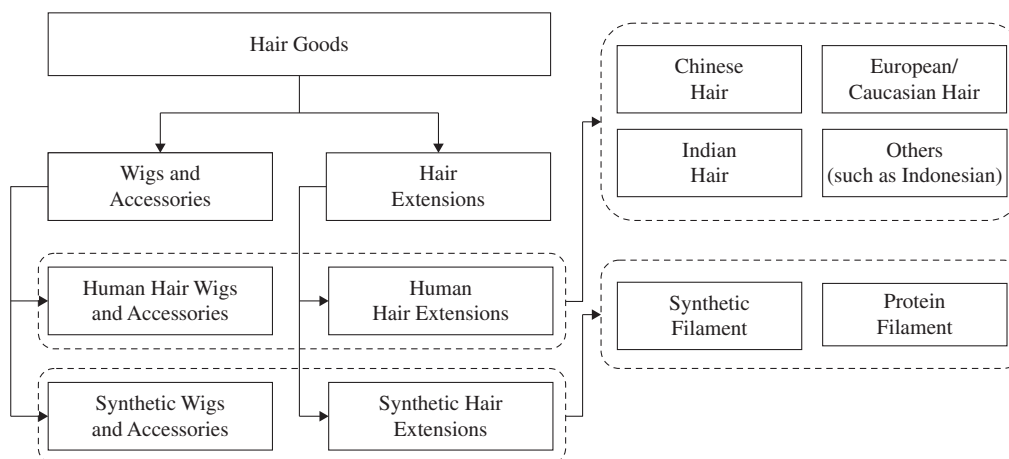
The information presented in this section is derived from the industry research report prepared by Frost & Sullivan, which was commissioned by us, and from other publications and various official government publications, unless otherwise indicated. We believe that the sources of the information, are appropriate sources for the information, and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict, or have an impact on the information set out in this section. The information has not been independently verified by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers, agents, employees, advisers or representatives or any other persons involved in the Global Offering, and no representation is given as to their accuracy or completeness. As such, investors are cautioned not to place any undue reliance on information and statistics set out in this section.

This section contains information extracted from a report commissioned by us prepared by Frost & Sullivan for purposes of this prospectus. We expect to pay a total of RMB450,000 to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report.

CLASSIFICATION OF HAIR GOODS

Hair goods consist of head coverings or hair extensions used for lengthening or adding fullness to one's hair by incorporating additional human or synthetic hair. They are worn as daily wear for beauty and grooming purposes or for functional purposes such as to cover for hair loss. They are also worn as part of cultural traditions or religious observance, or for occasions or festivities, such as Halloween. Wigs and accessories can be wide-ranging, and include full wigs, half wigs, toupees, doll wigs, braids, bangs and buns. Hair extensions are hair products for adding length and/or fullness to one's hair by adding human or synthetic hair through taping in, clipping, fusing or weaving. Wigs and accessories can be made from human hair or synthetic hair. Hair extensions are made from either human hair or synthetic hair.

The following diagram illustrates the classifications of hair goods.



INDUSTRY OVERVIEW

Human hair goods offer the most natural look and feel. While human hair goods are generally more costly than their synthetic hair counterparts, with proper care human hair goods are generally more durable and can last over a year. Human hair goods are generally made from either Chinese, Indian or European/Caucasian hair.

Synthetic hair is made from non-human materials such as synthetic fibre. It is less costly than human hair.

GLOBAL HAIR GOODS MARKET

The following table details the major consumer groups of hair goods and their regions.

<u>Consumer Groups</u>	<u>African Descent</u>	<u>native African</u>	<u>White (Caucasian)</u>	<u>Asian</u>
Major regions	North America	Africa	Europe, North America	Asia
Main purposes	As necessities for hair decoration, and fashion accessories	As necessary decoration to make up for inherent deficiencies in hair. Africans are starting to view hair goods as fashion goods as well	Fashion accessories	Mainly used to cover hair loss especially in Japan. However, an increasing number is used as fashion accessories.
Major hair goods by raw materials	Mix of both	Synthetic hair goods	Human hair goods	Mix of both

The demand for hair goods by consumers of African descent and native African consumers is relatively inelastic. Both consumer groups tend to have curly and kinky hair that grows relatively slowly and that is plastered to the scalp. For these customers, wearing hair goods can save them from the long and extensive process of straightening and styling their hair, and as a result they tend to make recurring purchases of hair goods.

For consumers of African descent, mainly in the United States, in many cases hair goods have become, not just functional solutions for their short natural hair, but an essential fashion accessory that they use to change their styles and looks quickly and easily. Consumers of African descent mainly purchase synthetic hair goods of medium or high quality.

The strong demand for hair goods by native African consumers is driven largely by their use of wigs and hair accessories as necessary concealment of perceived inherent deficiencies in their hair constitution. The use of hair goods for fashion purposes is also on the rise as the economic development in Africa leads to higher disposable income for Africans, particularly for African women. Because of their low income levels, African consumers tend to purchase synthetic hair goods which are of medium to low quality.

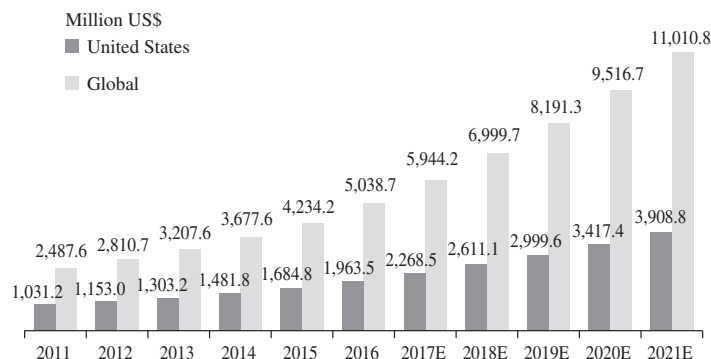
Caucasian consumers have a long history of wearing hair goods. Caucasian consumers commonly use hair goods for cosmetic reasons or to create a certain fashion image. Caucasian consumers of hair goods are primarily from North America and Europe, and they generally possess higher income than consumers in other regions. They also pay more attention to the quality of their hair goods, and thus human hair goods are in greater demand.

INDUSTRY OVERVIEW

Asians, especially Japanese consumers who form a significant proportion of the Asian hair goods market, have historically purchased hair goods in order to cover hair loss. In Japan, more than half of the hair goods consumers use hair goods to hide their alopecia or hair loss. However, Asians are also increasingly using hair goods as fashion accessories.

Due to the economic recovery in major hair goods markets, hair goods consumers, particularly those of African descent in North America and Africa who have inelastic demand for hair goods, experienced a growth in disposable income. The global hair goods market size by revenue rapidly expanded from US\$2,487.6 million in 2011 to US\$5,038.7 million in 2016 at a CAGR of 15.2%, according to the Frost & Sullivan Report. The market size of the hair goods (including wigs and accessories and hair extensions) industry is based on manufacturer revenue. Due to marked-up prices between players of different industry tiers across the manufacturer, wholesaler, sub distributor, retailer and end customer levels, the market size by retail price was approximately US\$15.4 billion in 2016 up from US\$7.6 billion in 2011 at a CAGR of 15.1%, and will reach US\$33.2 billion in 2021 with a CAGR of 16.7%, according to the Frost & Sullivan Report.

Hair Goods Market Size by Revenue (Global and United States), 2011-2021E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, over the next five years, the global hair goods market size is likely to reach US\$11,010.8 million in 2021 at a CAGR of 16.7%, driven by global economic growth and the increasing popularity of hair goods as fashion accessories among consumers in Asia and Africa and consumers of African descent in North America and Europe.

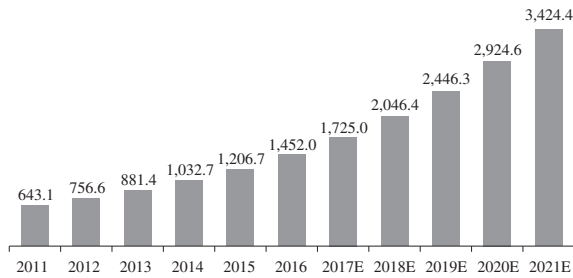
The United States is the largest market for hair goods in the world, accounting for 39.8% of the global market in 2016, according to the Frost & Sullivan Report. Additionally, the market size of hair goods in the United States grew from US\$1,031.2 million in 2011 to US\$1,963.5 million in 2016, representing a CAGR of 13.7%. The majority of hair goods consumption in the United States is by consumers of African descent whose demand for hair goods is relatively inelastic and recurring. Consumption by Caucasian consumers primarily of human hair products, particularly hair extension products, which sell at higher price points, also contributed to this market growth.

The market size of hair goods in the United States is projected to continue to increase in the coming years, according to the Frost & Sullivan Report. This growth is expected to be driven by the consistently large demand for hair goods from consumers, especially those of African descent, as well as the increasing popularity of Halloween celebrations. The market is forecasted to reach US\$3,908.8 million in 2021 at a CAGR of 14.6% from 2017 to 2021, according to the Frost & Sullivan Report.

INDUSTRY OVERVIEW

Synthetic Hair Goods Market Size by Revenue (Global), 2011-2021E

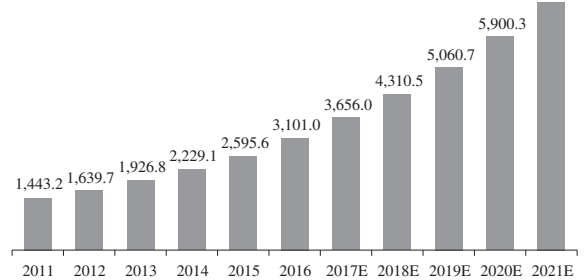
Million US\$



Source: Frost & Sullivan

Human Hair Goods Market Size by Revenue (Global), 2011-2021E

Million US\$



Source: Frost & Sullivan

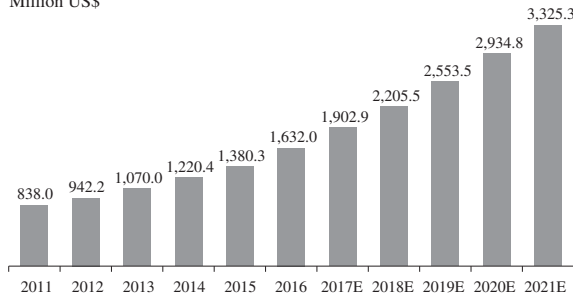
Since the emergence of synthetic hair goods in the past century, synthetic hair goods have rapidly penetrated the middle to low income customer groups due to their low price and style variety. The synthetic hair goods market increased from US\$643.1 million in 2011 to US\$1,452.0 million in 2016, representing a CAGR of 17.7%, according to the Frost & Sullivan Report. This growth trend is predicted to continue, with the synthetic hair goods market expected to reach US\$3,424.4 million in 2021 at a CAGR of 18.7% from 2017 to 2021, according to the Frost & Sullivan Report. Synthetic hair goods are expected to continue to dominate the middle and low income consumer groups, particularly consumers in Africa, due to their price advantage over human hair goods. Innovation and production technology which has significantly improved the quality of synthetic hair products, will also drive the demand for synthetic hair goods.

Between 2011 and 2016, the market size by revenue of human hair goods has steadily increased from US\$1,443.2 million to US\$3,101.0 million at a CAGR of 16.5%, according to the Frost & Sullivan Report. This growth was driven principally by the demand from consumer groups in North America and Europe.

The market for human hair goods is expected to grow as fast as the demand for synthetic hair goods. With the development of the global economy and rising disposable income per capita, particularly for consumers of African descent in developed countries, it is anticipated that consumers will increase consumption of human hair goods due to human hair's relative superior quality as compared to synthetic hair goods. The market size of human hair goods by revenue is forecasted to increase from 2017 to 2021 at a CAGR of 17.0% and to reach US\$6,859.7 million in 2021, according to the Frost & Sullivan Report.

African Descent Hair Goods Market Size by Revenue (United States and Europe), 2011-2021E

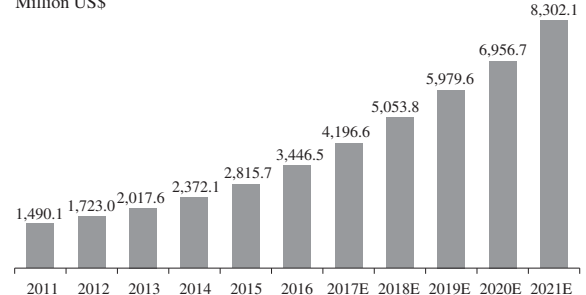
Million US\$



Source: Frost & Sullivan

Hair Extension Market Size by Revenue (Global), 2011-2021E

Million US\$



Source: Frost & Sullivan

INDUSTRY OVERVIEW

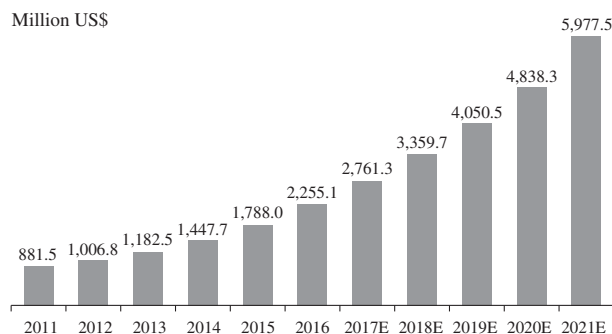
Consumers of African descent in the United States and Europe generally have curly and kinky hair and are generally able to afford hair goods at higher prices than native African consumers. Customers of African descent in the United States and Europe are influenced by up-to-date aesthetics and fashion trends and tend to regard hair goods as both functional and daily consumer goods as well as fashion accessories. In 2016, 58.5% of the hair goods market for consumers of African descent in the United States and Europe comprised human hair goods, while 32.1% comprised of synthetic hair goods. The hair goods market size by manufacturer revenue for consumers of African descent in the United States and Europe steadily expanded from US\$838.0 million in 2011 to US\$1,632.0 million in 2016 at a CAGR of 14.3%, according to the Frost & Sullivan Report.

This growth trend is likely to continue due to the improving living standards of consumers of African descent in the United States and Europe, along with the development of fashion awareness. This market size is forecasted to reach US\$3,325.3 million in 2021 at a CAGR of 15.0% from 2017 to 2021, according to the Frost & Sullivan Report.

Hair extension products are widely used globally, particularly by female consumers, and have become increasingly popular in the past few years as more consumers have been seeking to increase their hair volume through hair extension products. From 2011 to 2016, the global market for hair extensions expanded at a CAGR of 18.3%, increasing from US\$1,490.1 million in 2011 to US\$3,446.5 million in 2016, according to the Frost & Sullivan Report. Hair extensions are attached to the original hair by applying tape, glue or clips, or fusing the hair. Particularly, the tape-in technique involves flat bond, quick-to-attach and easy-to-remove features that cause less damage to the natural hair, making it one of the most popular hair extension attaching techniques in the market.

In the next five years, the global market size for hair extension products is expected to grow at a CAGR of 18.6% and reach US\$8,302.1 million in 2021, according to the Frost & Sullivan Report. The growth of the hair extension market is principally driven by the increase in demand for high-end human hair extension products.

Human Hair Extension Market Size by Revenue (Global), 2011-2021E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

According to the Frost & Sullivan Report, the GDP of major countries in the North America, Asia, Europe and Africa, which constitute the major hair goods markets, have experienced continuous growth at a CAGR ranging from 0.9% to 12.3% from 2011 to 2016, showing signs of economy recovery. In North America, the U.S., Canada and Mexico are among the top five hair goods markets in the continent. According to the World Bank, the GDP of the U.S., Canada and Mexico have experienced continuous growth, reaching USD18.6 trillion, CAD2.0 trillion and MXN19.4 trillion in 2016 from USD15.5 trillion, CAD1.8 trillion and MXN14.6 trillion in 2011 at a CAGR of 3.7%, 2.1% and 5.8% respectively from 2011 to 2016, which demonstrates an overall economy recovery of major hair goods markets in North America. In Asia, China, Japan and India are among the top five hair goods markets in the continent. According to the World Bank, the GDP of China, Japan and India have experienced continuous growth, reaching RMB74.4 trillion, JPY537.3 trillion and INR146.1 trillion in 2016 up from RMB48.9 trillion, JPY491.4 trillion and INR87.4 trillion in 2011 at a CAGR of 8.8%, 1.8% and 10.8% respectively from 2011 to 2016, which drives the market growth of the local hair goods industry. In Europe, the U.K., France and Germany are among the top five hair goods markets in the continent. According to the World Bank, the GDP of the U.K., France and Germany have experienced continuous growth, reaching GBP1.9 trillion, FRF2.2 trillion and EUR3.1 trillion in 2016 up from GBP1.6 trillion, FRF2.1 trillion and EUR2.7 trillion in 2011 at a CAGR of 3.5%, 0.9% and 2.8% respectively from 2011 to 2016, which provides solid foundation for the consumption of hair goods in the region. In Africa, Egypt, South Africa and Nigeria are among the top five hair goods markets in the continent. According to the World Bank, the GDP of Egypt, South Africa and Nigeria have experienced continuous growth, reaching EGP2.5 trillion, ZAR4.0 trillion and NGN93.8 trillion in 2016 up from EGP1.4 trillion, ZAR3.0 trillion and NGN63.7 trillion in 2011 at a CAGR of 12.3%, 5.9% and 8.0% respectively from 2011 to 2016, which demonstrates an overall economy recovery of major hair goods markets in Africa. As a result, consumers in these regions have become able to afford human hair extensions which are generally of a higher price. The global revenue for human hair extensions increased from US\$881.5 million in 2011 to US\$2,255.1 million in 2016 at a CAGR of 20.7%, according to the Frost & Sullivan Report. The rapid growth of the market for human hair extensions contributed largely to the expansion of the global hair extension market.

In the next five years, human hair extensions are expected to become increasingly popular given their natural looking properties. The global market for human hair extensions is expected to continue to grow over the next five years at a CAGR of 21.3% and reach US\$5,977.5 million in 2021, according to the Frost & Sullivan Report.

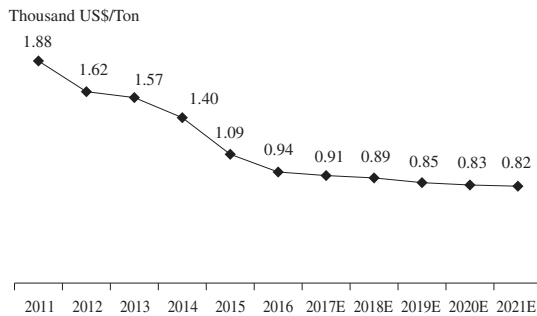
According to the Frost & Sullivan Report, human hair extension products can be further categorised into high-end human hair extension products and middle and low-end human hair extension products. Human hair extension products with an average retail price over US\$5 per gram are regarded as high-end human hair extension products and account for 38.9% of the entire global human hair extension market by revenue in 2016 with steadily increasing proportion in the coming years, according to the Frost & Sullivan Report. The typical product type of this category is remy hair with intact and properly aligned hair cuticles. The manufacturing of high-end human hair extension products requires far less chemical processing procedures, which maintains the hair quality, enhances durability and presents a more natural look and feel for customers, as compared with middle and low-end human hair extension products. According to the Frost & Sullivan Report, human hair extension products with an average retail price below US\$5 per gram are regarded as middle and low-end human hair extension products with inferior quality and product life cycle as compared to the high-end category. In addition, middle and low-end human hair extension products usually go through several chemical processing procedures during production, which reduces the product quality.

INDUSTRY OVERVIEW

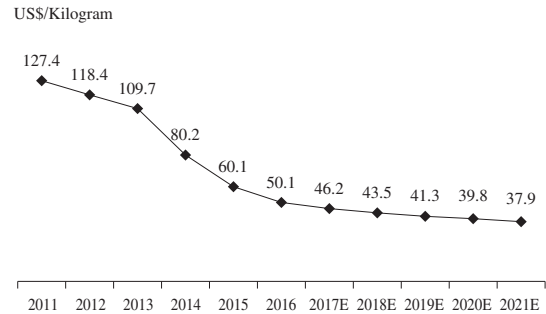
RAW MATERIAL PRICES

The major raw materials in the hair goods market are human hair and synthetic fibres. The most popular types of human hair are Chinese hair, Indian hair, European hair and Mongolian hair. Human hair can be characterised as remy hair, drawn hair or non-remy hair. Pricing of human hair is determined by length, quality and other parameters.

Synthetic Fibre Price (Global), 2011-2021E



Human Hair Price (Global), 2011-2021E



Source: Frost & Sullivan

Synthetic Fibre

The price of synthetic fibre has a close relationship with the price of crude oil. From 2011 to 2016, in line with the decrease in global crude oil prices, the global synthetic fibre price decreased from US\$1,880 per ton in 2011 to US\$940 per ton in 2016, according to the Frost & Sullivan Report.

The synthetic fibre price is projected to maintain a gentler rate of decrease from 2017 to 2021, after the excess of crude oil production has been absorbed, and is projected to decline to US\$820 per ton in 2021, according to the Frost & Sullivan Report.

Human Hair

Overall, global human hair prices, based solely on weight without regard to hair length, decreased from US\$127.4 per kilogram in 2011 to US\$50.1 per kilogram in 2016. As the export price of human hair from major exporting countries such as India and Pakistan is expected to continue to decrease, the global human hair price is projected to continue to decline to US\$37.9 per kilogram by 2021, according to the Frost & Sullivan Report.

MAJOR MARKET DRIVERS

The hair goods market is driven by the following major market factors:

Increasing Demand from Consumers of African Descent

Hair goods are necessities for most women of African descent due to their naturally curly and kinky hair. Consumption by women of African descent accounts for the majority of global hair goods consumption. Particularly, consumers of African descent in the United States and Europe have higher

INDUSTRY OVERVIEW

purchasing power than their counterparts in Africa. More than half of the United States' hair goods sales comprise sales to consumers of African descent. As a result, the United States is the largest import and consumption country for hair goods. According to the Frost & Sullivan Report, the average per capita disposable income of consumers of African descent in the United States, Europe and Africa has experienced continuous growth at a CAGR of 2.9%, 2.2% and 8.9% from 2011 to 2016, respectively. In the near future, the increasing income of consumers of African descent around the world will very likely translate into a growing demand for hair goods. According to the Frost & Sullivan Report, when compared with 2011, there was an increase of approximately 13% to 18% in the percentage of consumers of African descent in the United States, Africa and Europe in 2016. It is expected that an increasing number of consumers of African descent, especially those in the United States with higher purchasing power, will be more willing to accept hair goods as fashion accessories instead of functional resolution, for their natural hair.

Changing Perception towards Hair Goods in the Asia Market

Asia has the largest fashion consumer base in the world. However, Asian hair goods consumers account for only a relatively small proportion of total hair goods consumers largely due to cultural reasons. In the past, the majority of Asian hair goods customers purchased hair goods to cover hair loss, and most consumers viewed hair goods as a means to conceal hair loss. According to the Frost & Sullivan Report, around 80%-90% of Asian hair goods consumers purchased hair goods for functional purposes (such as concealment of hair loss) in 2011, while the remaining 10%-20% purchased hair goods for non-functional purposes (such as daily beauty and grooming, special occasions and festivities). Moreover, hair goods in the past looked distinctively inauthentic due to low production technology. However, with the rapid development of the hair goods industry, hair goods offerings have improved to offer a more natural look and feel, making them hardly distinguishable from real hair without close inspection. Therefore, along with the increasing purchasing power of Asian consumers, improving production technology of hair goods as well as the evolving life styles among the people in this region, there is changing perception towards hair goods in the Asian market in recent years and people tend to spend more on hair products for non-functional purposes. According to the Frost & Sullivan Report, around 38% of the hair goods customers in Asia purchased hair products for non-functional purposes in 2016, and this percentage is expected to further grow in the coming years.

Increasing Popularity of Halloween Products

Halloween is a very significant event in western countries, and is widely celebrated in the United States. During this celebration, a significant portion of the western population will dress up in extravagant costumes and hair goods. Consumers are generally willing to spend large sums of money on various kinds of costumes to look different from the rest. This is an especially common phenomenon in the United States and in some parts of Europe where people hold festive parades and marches on the streets that entail large amounts of costumes, masks and hair goods. Therefore, the demand and sales of hair goods and costumes surge during Halloween. According to the Frost & Sullivan Report, the global market size of the market for Halloween wear, which includes costumes, hair goods, masks and other accessories, was approximately US\$5.8 billion, by manufacturer revenue, in 2016. Costumes, hair goods, masks and other accessories accounted for 80.7%, 9.8% and 9.5%, respectively, of the market size in 2016, according to the Frost & Sullivan Report. The global market size of Halloween wear by manufacturer revenue expanded at a CAGR of 11.3%, increasing from approximately US\$3.4 billion in 2011 to approximately US\$5.8 billion in 2016, according to the Frost & Sullivan Report. The global market for Halloween wear is expected to grow to approximately US\$12.4 billion by 2021 and will further boost the demand for hair goods, costumes, masks and other accessories for this holiday, according to the Frost & Sullivan Report.

INDUSTRY OVERVIEW

DEVELOPMENT TRENDS

The hair goods market has been characterised by the following development trends:

Rapid Expansion of Synthetic Hair Goods Industry

After the introduction of cheap, mass-produced synthetic hair goods in the last century, synthetic hair goods have penetrated the previously unexplored middle and low income consumer groups and gained substantial market share in the past decades. In terms of quantity, synthetic hair goods account for a larger proportion of hair goods sold globally due to their low price and variety. In terms of quality, synthetic hair goods are increasingly natural looking due to technical improvements, making them hardly distinguishable from human hair products without close inspection. Synthetic hair goods provide a cheaper but decent substitute for the more expensive human hair goods for customer groups with lower income.

Continuous Innovation in Manufacturing Techniques and Product Designs

To improve the quality of raw materials, reduce discomfort and enhance the authenticity and aesthetics of hair goods, especially those made of synthetic fibre, increasing attention is expected to be paid on innovation in production technology and product design globally. An increasing number of hair goods manufacturers are introducing machinery that enables some of the manufacturing processes such as dyeing, washing, and weaving to be highly automated. Moreover, technical innovations in chemicals used in the manufacturing process, such as high-quality conditioners and detergents, are enabling more manufacturers to preserve the quality of raw materials, such as delicate human hair. In terms of product design, hair goods with up-to-date fashion features are increasingly popular, especially for consumers in developed countries, which in turn will stimulate more hair goods manufacturers to focus on product design of their products rather than simply meeting customers' needs, and introduce more higher profit margin products to the market.

Shift in the Hair Goods Industrial Landscape

Hair goods manufacturing is a labour-intensive industry, thus the rising labour costs have forced hair goods manufacturers to shift their production bases to lower labour cost regions. In China and India, hair goods manufacturers have capitalised on low labour costs and proximity to hair sources to dominate the global hair goods manufacturer market. In the future, however, as the labour costs in China and India continue to rise with their economic expansions, the production bases of hair goods will gradually shift to other developing countries with lower labour costs and more available land resources such as Bangladesh, Vietnam and Laos.

ENTRY BARRIERS

The hair goods market is subject to the following entry barriers:

Strong Relationships with Hair Suppliers

Hair goods manufacturers are heavily dependent on human hair and synthetic fibre suppliers. Therefore, it is important for manufacturers to develop a good relationship with upstream suppliers in order to secure adequate supplies. However, many existing manufacturers have already established close relationships with human hair suppliers. Existing manufacturers tend to form exclusive deals with certain quality suppliers, depriving new entrants of quality sources of the scarce human hair supply. Moreover, large human hair goods manufacturers tend to purchase and keep large stocks of human hair, further keeping new entrants from obtaining large quantities of human hair supplies.

INDUSTRY OVERVIEW

Brand Effect

Manufacturers of well-known brands are often associated with better quality and are considered more trustworthy in terms of product safety and other aspects. Wholesalers and consumers alike, with limited knowledge of the hair goods industry, tend to choose reputable hair goods manufacturers. New entrants will find it hard to establish their own brand and expand their market share. Without relatively strong brand awareness, new hair goods manufacturers may struggle to find potential customers compared with the experienced manufacturers. Furthermore, without industry expertise and client resources, new market entrants will find it very difficult to gain an edge over the existing hair goods manufacturers.

Technology

Some existing manufacturers have already researched and developed technology for producing synthetic fibre such as multi-colour fibre production. New hair goods manufacturing entrants that do not already possess sufficient technological proficiency have to procure good quality synthetic fibre from existing manufacturers at higher prices. In addition to having established technical expertise in the production of hair goods, existing manufacturers have skilled personnel, with know-how in the hair goods manufacturing industry, to produce their handmade hair goods. Furthermore, existing manufacturers can afford to conduct thorough research on the latest developments in human hair goods production techniques and thereby provide a wider range of products by utilising advanced knowledge and technology. New entrants would need to either have professional personnel in manufacturing or sufficient capital investment in developing new technology in order to effectively compete. Therefore, small market entrants with little prior experience or weak technical capability will find it difficult to enter the market.

Cost Control

Hair goods manufacturing involves numerous labour-intensive processes that require workers and hair specialists. Consequently, labour costs constitute a large proportion of the production costs. For existing hair goods manufacturers, particularly the large players and industrial leaders that employ thousands of workers, labour costs can be more easily managed with economies of scale and better labour management skills. In contrast, small manufacturers will generally find it more difficult to control costs and therefore will achieve smaller profit margins as compared to larger players, which may be an impediment to rapid expansion to gain market share. For new market entrants, the high costs involved in the production process serve as a significant barrier.

COMPETITIVE LANDSCAPE AND OUR ADVANTAGES

The following table sets forth the competitive landscape and the market share of the top ten global synthetic hair goods manufacturers in terms of revenue in 2016:

Ranking No.	Enterprises	Main products/services	Market share of global synthetic hair goods market
1.	Competitor A . .	Wigs and hair restoration and transplant services	12.6%
2.	Competitor B . .	Human hair wigs, women's hair goods, synthetic hair wigs, training wigs and men's toupees	9.8%
3.	Competitor C . .	Synthetic hair extensions, braids and weaves	6.4%
4.	Competitor D . .	Human hair and synthetic hair goods	5.0%

INDUSTRY OVERVIEW

Ranking No.	Enterprises	Main products/services	Market share of global synthetic hair goods market
5.	Our Group	Full wigs, half wigs, lace wigs, hairpieces and accessories, general braids, special braids, weavings, toupees, high-end human hair extensions and Halloween products	4.0%
6.	Competitor E . . .	Hair weaving, hair bulk, women’s wig, men’s toupees, women’s hairpieces, training wigs, and hair extensions	3.2%
7.	Competitor F . . .	Human hair wefts, men and women’s wigs, and accessories	2.6%
8.	Competitor G . . .	Synthetic hair full wigs and half wigs	2.5%
9.	Competitor H . . .	Full wigs, half wigs and hair extensions	2.1%
10.	Competitor I . . .	Hair fibres, hair goods and accessories	1.7%

The following table sets forth the competitive landscape and the market share of the top ten global hair goods manufacturers in terms of revenue in 2016:

Ranking No.	Enterprises	Main products/services	Market share of global hair goods market
1.	Competitor A . . .	Wigs and hair restoration and transplant services	8.5%
2.	Competitor B . . .	Human hair wigs, women’s hair goods, synthetic hair wigs, training wigs and men’s toupees	5.1%
3.	Competitor C . . .	Synthetic hair extensions, braids and weaves	2.5%
4.	Competitor D . . .	Human hair and synthetic hair goods	2.4%
5.	Competitor E . . .	Hair weaving, hair bulk, women’s wig, men’s toupees, women’s hairpieces, training wigs, and hair extensions	2.3%
6.	Competitor F . . .	Human hair wefts, men and women’s wigs, and accessories	2.0%
7.	Our Group	Full wigs, half wigs, lace wigs, hairpieces and accessories, general braids, special braids, weavings, toupees, high-end human hair extensions and Halloween products	1.5%
8.	Competitor I . . .	Hair fibres, hair goods and accessories	1.4%
9.	Competitor J . . .	Human hair goods	1.4%
10.	Competitor H . . .	Full wigs, half wigs and hair extensions	1.2%

According to the Frost & Sullivan Report, our competitive advantages are our comprehensive product portfolio, long-term and close relationships with key customers, deep manufacturing experience and knowledge, robust research and development capabilities and low production costs due to our strategic location and economies of scale. For further details of our competitive strengths, see “Business – Our Competitive Strengths”.

INDUSTRY OVERVIEW

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm that was founded in New York in 1961. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes, among others, industrial and machinery, industrial automation and electronics, chemicals and materials, consumer products, and technology. The Frost & Sullivan Report includes information on the global hair goods market. Frost & Sullivan has conducted detailed primary research that involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted: (i) secondary research that involved reviewing company reports, (ii) independent research reports, and (iii) review of data retained on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data. Frost & Sullivan has also considered the above-mentioned industry key drivers.

Frost & Sullivan's market engineering forecasting methodology integrates several forecasting techniques with a market engineering measurement-based system. It relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements include:

- expert-opinion forecasting methodology;
- integration of market drivers and restraints;
- integration with the market challenges;
- integration of the market engineering measurement trends; and
- integration of econometric variables.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions:

- the social, economic and political environment globally is likely to remain stable in the forecast period; and
- the related industry key drivers are likely to drive the market in the forecast period.

REGULATORY OVERVIEW

This section sets out the summary of major laws and regulations of Bangladesh, the PRC and the United States in certain aspects related to our business and operation. As this section is only a summary, it does not contain a detailed analysis of Bangladeshi, the PRC and the United States laws related to our business and operation.

BANGLADESH REGULATORY OVERVIEW

Relevant Laws and Regulations on Incorporation, Operation and Management

The Companies Act, 1994 of Bangladesh (the “**Company Law**”) governs all Bangladeshi companies from incorporation up to winding-up and dissolution. Pursuant to the Company Law, a company is required to have, at all times, certain numbers of shareholders and directors depending on its nature. The Company Law also requires the companies, among other things, to hold directors’ meeting quarterly and one annual general meeting followed by filing of annual return along with audited accounts with the Registrar of Joint Stock Companies and Firms (the “**RJSC**”). The Company Law also sets out the procedures for passing special and extraordinary resolutions, transfer of shares, maintenance of books, accounts and registers, and issue of capital.

Any investment activities conducted by foreign investors in Bangladesh are subject to the Guidelines to Foreign Exchange Transactions, 2009 (“**GFET**”) issued by the Bangladesh Bank (the “**BB**”) – the central Bank of Bangladesh, pursuant to the Foreign Exchange Regulation Act, 1947 (the “**FERA**”). According to GFET, foreign investments are allowed in all commercial and industrial sectors in Bangladesh, except for certain reserved sectors that are restricted by applicable Bangladesh laws or regulations. Further, foreign investments are protected in Bangladesh under the Foreign Private Investment Promotion and Protection Act, 1980.

Generally, in order to invest in and establish an industrial enterprise in Bangladesh, foreign investors are required to obtain an investment registration certificate (industrial project registration) from the BIDA and a company incorporation certificate from RJSC. However, foreign investors establishing their industries inside Special Economic Zones (“**Export Processing Zones**” and “**EPZ**”) under the agreement with the BEPZA are exempted from obtaining industrial project registration from the BIDA.

Relevant Laws and Regulations on Foreign Exchange

Bangladesh has a very strict foreign exchange control regime in force and the principal legislation in this regard is the FERA and the GFET, promulgated and enforced by the BB. Dealings in foreign currency are strictly regulated by the BB and only certain authorised dealers (“**ADs**”), that is licensed bank branches, are allowed to remit foreign currency outside Bangladesh. Furthermore, no other person may deal in foreign exchange without the prior consent of the Bangladesh Bank. Remittance of money outside Bangladesh is allowed only in specific circumstances and is required to be supported by appropriate documentation.

REGULATORY OVERVIEW

(a) *Restrictions in dealing with foreign currency:*

The FERA and the GFET stipulate that without obtaining a general or special permit from the BB, Bangladeshi residents cannot make any payment to or for the credit of any person who is a resident outside Bangladesh, or draw, issue or negotiate any bill of exchange or promissory note, or acknowledge any debt, so that a right to receive a payment is created or transferred in favour of any person residing outside Bangladesh. The FERA also restricts the creation or transfer of security interest to any place outside of Bangladesh without a general or special permission from the BB.

(b) *Repatriation of sales proceeds:*

Prior approval from the BB is also required for repatriation of sales proceeds of non-residents' equity investments in: (1) public limited companies that are not listed with the stock exchanges; and (2) private limited companies. In this regard, the BB identifies the remittable amount, determines the value of the shares and considers the amount that may be repatriated. However, prior permission from the BB is not required when a non-resident sells or transfers shares held in public limited companies not listed on the stock exchange to another non-resident.

(c) *Dividends and distributions:*

Expatriates are allowed to remit up to 75% of their earnings to their country. There are no restrictions on remitting past tax dividends to foreign shareholders of Bangladeshi companies. Following a recommendation by its directors, a Bangladeshi company may, in a general meeting, declare dividends to its shareholders or pay interim dividends from time to time if such dividends are justified by the profits of the company.

Under GFET, certain steps must be taken in order to remit dividends (both final and interim) to non-resident shareholders. In this regard, the authorised dealer must ensure that the remittance is being made in BDT. Then the value in BDT is converted into the equivalent foreign currency using the conversion rate published by the BB on the date of remittance.

(d) *Loan repayments to foreign lenders:*

Foreign currency borrowing is allowed subject to due permission from the BIDA and the BB. The approval process for loans from foreign lenders by Bangladeshi borrowers is well established. The approval is given by the BIDA and it is a requirement that the funds are brought onshore into the account of the Bangladeshi borrower from foreign lenders. Most importantly, this approval allows Bangladeshi borrowers to remit interest payment and principal amounts. Once the BIDA approves an application in this regard, no other permission will be required to make repayment of principal and interest.

For 100% foreign owned investment industries in EPZs, approval of the BIDA or BB is not required for short term loans from overseas banks and financial institutions, for financing import of capital machinery and raw materials, payment of interest/service charges, repayment of loans and for crediting Taka account for meeting local expenses.

REGULATORY OVERVIEW

(e) Foreign Exchange Inside EPZ:

EPZ is operated under a slightly different foreign exchange regime under special Standing Regulatory Order (“**SRO**”). Industries inside EPZ are permitted to open and maintain foreign currency accounts with local banks to receive foreign currency denominated export proceeds. Such accounts may be used to pay foreign currency denominated bills. Foreign currency borrowing is also allowed freely for such industries. Non-resident foreign currency accounts are allowed for expatriates working in the EPZ.

Relevant Laws and Regulations on Environmental Protection

The environmental laws of Bangladesh consist of the Environmental Policy, 1992 and the Bangladesh Environment Conservation Act, 1995 (the “**ECA**”) read in conjunction with the Environment Conservation Rules, 1997 (“**ECR**”). The Department of Environment (“**DOE**”) is empowered to formulate the environmental quality standards and pollutant discharge standards of Bangladesh. The local government authorities have been empowered with the function to issue no objection certificates based on their own evaluations, which are prerequisites to obtaining the final environmental clearances from the DOE.

The Environmental Policy, 1992 sets out policies for various sectors including the industrial sector. Under the ECA, industrial units or projects cannot be established or undertaken without obtaining an environmental clearance certificate (“**ECC**”) from the DOE. Accordingly, any industrial project must obtain an ECC from the DOE prior to commencement of its project.

The ECR categorises all projects into four divisions:

- (i) Green;
- (ii) Orange A;
- (iii) Orange B; and
- (iv) Red.

For any proposed industrial units and projects, a location clearance certificate (“**LCC**”) will first need to be obtained, followed by an ECC. However, the Director General of DOE may, if he deems it proper, grant an ECC without first granting the LCC. The ECC will typically be valid for a period of one year from the date of issue and must be renewed 30 days before its expiry.

The site preparation work is initiated after an initial environmental clearance is obtained from DOE. In order to obtain the final ECC, the industrial unit is required to submit an application to the relevant department of the DOE along with details of the project and relevant feasibility report, environmental impact assessment, effluent discharge plan and environmental management plan (as applicable to the relevant category). On inspection by the authorised officer after verification of all reports and documents, the DOE will issue clearance certificates for Green and Orange (A) category industrial units. Clearance for Orange (B) and Red category is decided at the meeting of the Environmental Clearance Committee.

REGULATORY OVERVIEW

The DOE also has the power to impose fines or compensation for environmental pollution, improper discharge, failure to take measures as negotiated with the DOE and even, at its discretion, shut down any facility that fails to comply with the environmental protection laws and regulations. However, the DOE is required to provide reasonable notice before exercising such discretion.

Relevant Laws and Regulations on Employment Matters

In Bangladesh, the Bangladesh Labour Laws regulate labour issues, industrial relations and employment of workers in all industries and establishments operating outside of the export processing zones in Bangladesh. The Bangladesh Labour Laws are only applicable to employees who fall within the definition of a worker. The Bangladesh Labour Act defines workers as “any person including an apprentice employed in any establishment or industry, either directly or through a contractor, to do any skilled, unskilled, manual, technical, trade promotional or clerical work for hire or reward, whether the terms of employment be expressed or implied, but does not include a person employed mainly in a managerial or administrative capacity”. However, this definition was further extended by precedents to include any employee who is not vested with any power to either employ or terminate other employees.

Relationship between employees who do not fall within the definition of workers under the Bangladesh Labour Act and their employers is regulated by the Contract Act, 1872.

Employment issues in industries operating inside the export processing zones are regulated by a combination of the “Service Matters Concerning Workers and Officers Employed in the Companies Operating Within the Export Processing Zones of Bangladesh” issued by BEPZA on 14 June 1989 and the Bangladesh Labour Laws. Additionally, pursuant to the EPZ Workers Welfare Association and Industrial Relations Act enacted in August 2010, workers employed in export processing zones industries have the right to apply to BEPZA to form a workers’ welfare association, which is a body similar to trade unions and will work as the collective bargaining agent for those workers.

In addition, a draft Bangladesh EPZ Labour Act, 2016 (the “**Draft Law**”) was approved in the Ministerial Cabinet on 15 February 2016 to replace the aforementioned body of laws which currently apply to the factories within the export processing zones. As at the Latest Practicable Date, this Draft Law has not yet been enacted by the parliament. Although the Draft Law is not as extensive as the Bangladesh Labour Act, the provisions of the Draft Law have been framed substantially in line with the Bangladesh Labour Act. The Draft Law offers a number of benefits to the workers, including termination benefits, a provident fund, a group insurance scheme, maternity benefits, death benefits, festival bonus, earned leave encashment options and other facilities. Other requirements relating to the conditions of employment, such as working hours, leave, holidays, termination, and wages are also consistent with the Bangladesh Labour Laws.

Unlike Bangladesh Labour Act, there is no requirement under the Draft Law to form a profit participation fund for workers. Further, the Draft Law has retained the provision in the EPZ Workers Welfare Association and Industrial Relations Act 2010 allowing workers employed in factories inside the export processing zones to form workers welfare associations.

With regard to industrial disputes including strikes and lockouts, the Draft Law elaborates on the procedure for initiating and settling such disputes. Under the Draft Law, there are provisions for separate EPZ Labour Courts and EPZ Labour Appellate Tribunals for dealing with matters governed under this law.

REGULATORY OVERVIEW

Labour Contract

Under the Bangladesh Labour Laws, a labour contract may be in writing or oral but the employer is required to issue a written appointment letter. The Bangladesh Labour Laws allow permanent, fixed term, apprentice and seasonal contracts for workers in Bangladesh. The signed labour contract can be terminated under the circumstances specified under the Bangladesh Labour Laws or the contract provided that the contract is in line with the minimum standard set out in the Bangladesh Labour Laws. In the event of unilateral termination, the terminating party is required to follow the procedures and conditions specified under the relevant laws. Minimum termination notice period is four months if the employment is terminated by the employers and two months if the workers terminate the employment. Minimum age for appointment as a worker is 14 years. However, if a worker's age is below 18 years, appointment is subject to medical examinations and other requirements as set out by the Bangladesh Labour Laws.

Salary and Working Hours

The wage rate of an employee must not be lower than the minimum wage rate stipulated by the Bangladesh government from time to time. So far, the Bangladesh government has declared minimum wages for certain sectors including the garments sector and for industries operating within the EPZ.

The normal working hours must not exceed eight hours in one day and forty-eight hours in one week (sixty hours including overtime) under the normal working hour regime. Overtime wage is paid at double the rate of regular hourly rates.

Labour Safety and Hygiene

Under the Bangladesh Labour Act, every establishment is required to be kept clean and free from effluvia arising from any drain, privy or other nuisance. Further, suitable arrangements to secure and maintain adequate ventilation, proper hygiene and effective measures against harmful environmental conditions must be taken to ensure reasonably comfortable conditions and to prevent injury to health.

Employers and employees are also subject to various requirements on labour safety and hygiene at the work place such as periodic testing 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. These have been elaborated in the Bangladesh Labour Laws in detail.

Social Security

Group insurance is mandatory for industries employing over 100 workers. In addition, the employer is required to pay two bonuses to the employees in every year. Provident fund is not mandatory but the employer is required to create such a fund once half of the employees demand so. Workers are also entitled to gratuity at the termination of their employment at the rate of thirty days' wages for each of the completed years. Workers who worked for over ten years on continuous service are entitled to gratuity at a rate of forty five days' wages for each of the completed years.

Industries with paid-up capital of BDT10 million or more or fixed assets of BDT20 million or more must set up a Workers' Profit Participation Fund ("WPPF"). In this regard, the Bangladesh Labour Act stipulates the minimum financial contribution by the sponsoring employer to be 5% of net profits, divided among the participation fund, welfare fund, and Workers' Welfare Foundation at a ratio of 80:10:10,

REGULATORY OVERVIEW

respectively. For hundred percent export oriented industries, Bangladesh Labour Rules, 2015 set out provisions regarding constitution of sector based central funds and also provide detailed requirements on management of the fund, the amount to be contributed for the fund, the manner of the collection and utilisation of the fund, and other relevant matters. A central fund has already been established for readymade garments (“**RMG**”) sector industries operating outside of EPZs while funds for other export oriented industrial sectors are yet to be set up by the Labour Ministry of the Bangladesh government.

Expatriate Employees

Pursuant to Bangladeshi immigration laws, foreign nationals are only allowed to undertake employment in Bangladesh upon obtaining a work permit. There are certain requirements to be complied with for obtaining work permits. Under the usual process, work permits are issued by the BIDA. Expatriate employees are required to initially enter Bangladesh under E-visa, recommended by the BIDA, and thereafter apply for the work permit from the BIDA within the first month. However, for industries set up in EPZs, work permit is issued by BEPZA.

There are, however, exceptions and one such exception is in relation to foreign nationals working for development organisations in certain projects mandated by the Bangladesh government. Expatriates in these projects are not required to obtain work permits from the BIDA – they are required to obtain a different type of visa to work in Bangladesh. Such waiver is usually granted under arrangements with the government in the form of agreements or memorandums of understanding with the development agencies or treaties with foreign governments.

In relation to the industrial sector, the permitted local to foreign employee ratio is 20:1 and the ratio is 5:1 for service sector.

Land Law

The primary laws regulating the transfer and ownership of land in Bangladesh are the State Acquisition and Tenancy Act, 1950, the Transfer of Property Act, 1882, the Registration Act, 1908 and the Stamp Act, 1899 (the “**Land Laws**”). These Land Laws along with the common law govern the procedures relating to the recording of ownership, transfer and other aspects of land management in Bangladesh.

In Bangladesh, land may be owned either solely or jointly under a freehold or leasehold. Joint ownership in Bangladesh comprises only of legal ownership, and equitable or beneficial ownership is not recognised under Bangladeshi laws. Foreigners cannot own land in Bangladesh and only Bangladeshi nationals and entities incorporated or registered in Bangladesh may own land. Although foreigners are not allowed to own land in Bangladesh, they nevertheless may own freehold or leasehold titles to land through 100% foreign owned companies and joint venture companies, incorporated in Bangladesh. Those companies may also lease land in Bangladesh, including certain specialised areas such as EPZs. Leasing land is not the same as owning a leasehold title and is more similar to renting land.

Recording Ownership of Land

Information on ownership and possession of all land in Bangladesh is obtained by the government through conducting land surveys. The government has conducted several large scale surveys over the years, notable of which are 1) the Cadastral Survey; 2) the State Acquisition Survey; 3) the Revisional Survey; and 4) the Bangladesh Survey. Additionally, city wide surveys have also been conducted in the

REGULATORY OVERVIEW

major cities like Dhaka, Chittagong and are known as “City Survey”. The information collected from these surveys is called records of rights and they stand as *prima facie* proof of someone’s title to a land. The records of rights are preserved at the local Revenue Collection Offices and Assistant Commissioner (Land) Office.

The records of the continuous change in ownership, whether by sale, inheritance or other modes of transfer, are kept up-to-date through the process of mutation and separation, by which new owners, on acquiring land title, register themselves as current owners of land.

Land Registration and Transfer of Title

Title in land is transferred by owners by executing a transfer or conveyance deed, such as a sale deed, in favour of transferors. Sale deeds are the most common form of land transfer and are subject to stamp duty at the rate specified by Stamp Act, 1899, which is 3 percent of the value of consideration. Under the Registration Act, 1908, transfer of ownership must be recorded and registered by submitting and filing relevant transfer deeds with the sub-registrar’s office. It is important to register transfer of ownership of land, as without registration no valid title or interest is created in the immovable property in favour of the transferees. A brief explanation of the common methods of transfer and acquisition of title over land are as follows:

(a) Sale and purchase of land:

Land is sold and purchased by executing sale deeds. Sale deeds must be in writing and are required to be registered with the local land registry office pursuant to provisions of the relevant registration laws in Bangladesh. Furthermore, ad-valorem stamp duty is also payable depending on the consideration value of the sale deed. VAT and other taxes are also payable at registration. Seller transfers title, rights and interests in land to the buyer, in exchange for consideration.

In Bangladesh, parties to a sale can execute a contract for sale with specific terms and conditions before executing a sale deed. These contracts do not transfer any interest or title of land to the buyer but records an agreement for sale. These types of contracts allow parties to seek specific performance of the contract as a relief under the Specific Relief Act, 1877. In the event of non-performance by one party, the other party can require the non-performing party to perform its obligations under the contract. Contracts for sale have to be in writing and also to be registered at the land registry office to qualify for specific performance relief.

(b) Leasehold ownership acquired from government:

Government bodies from time to time lease out government land. Examples of such government bodies are the Rajdhani Unnayan Kartipokkha and the Ministry of Housing and Public Works for land in Dhaka and the Chittagong Development Authority for land in Chittagong. Bangladeshi citizens and legal entities may acquire leasehold rights over government owned land by executing indentures of lease with these government bodies. Indentures have to be in writing and are required to be registered with the land registry office if the indenture exceeds the term of one year. Indentures give leaseholders primarily the right to possess land. However, rights attached to leasehold land depend on the terms of the indenture, and they may vary from one government lessor body to other. Nevertheless, in most cases indentures, along with the right to possess, give lessees the right to develop, sell and dispose the leasehold land in any other way, subject to the approval of the lessor government body.

REGULATORY OVERVIEW

Leases (renting)

A lease is created under the Transfer of Property Act, 1882, and is defined as the transfer of a right to enjoy immovable property for consideration, which is rent. A lease creates a right in rem, which is inheritable and transferable. A lease of immovable property for a term exceeding one year can be made only by registered instruments. Other leases may be made by oral agreements accompanied by delivery of possession.

Zoning and Land Use Planning

Classification of land describes the purpose that land serves and accordingly, lands are categorised as agricultural, residential, commercial, industrial and others. Classifications assigned by Bangladesh government are enforced by various statutory local authorities which regulate the planning, zoning and land use within their jurisdiction. Such authorities include the local government division, local city corporations and the offices of the District Commissioners. After approval for erecting buildings is obtained from the relevant authority of any locale, all buildings must be constructed according to the applicable laws of the relevant city corporation and development authority.

Relevant Laws and Regulations on Taxes

Corporate Income Tax (“CIT”)

Corporate income tax in Bangladesh is regulated by the Income Tax Ordinance, 1984 (the “**Tax Law**”) read with the Income Tax Rules, 1984. Any company registered in Bangladesh or any company controlled and managed wholly in Bangladesh is considered to be a tax resident of Bangladesh. Bangladesh tax residents are taxed on their worldwide income, subject to International Financial Reporting Standards (“**IFRS**”) and applicable double taxation avoidance agreements (“**DTAAs**”). The accounts and the financial statements of a company are maintained in accordance with Bangladesh Financial Reporting Standards (“**BFRS**”) and Bangladesh Accounting Standards (“**BAS**”).

Income tax returns must be filed annually between July and September each year. There is provision for a quarterly return for high revenue earning businesses. Non-resident income is subject to withholding tax on a gross basis, that is allowances for expenses are not permitted. Businesses are taxed at the following rates:

- Publicly traded company: 25%; and
- Non-publicly traded company: 35%.

The industries operating in the EPZs enjoy a special tax regime in Bangladesh. Industries set up in EPZs before 1 January 2012 enjoy a tax exemption for a period of ten years. Industries set up in EPZs on or after 1 January 2012 enjoy a tax exemption of 100% for the first three years, 50% for the next three years and 25% for the seventh year. Further, the Bangladesh government has declared tax exemptions for some sectors, such as thrust sectors, power industry, information technology industry, pharmaceuticals ingredient industry, radio pharmaceuticals industry, and automotive industry.

REGULATORY OVERVIEW

Value Added Tax (Sales Tax)

Value Added Tax (“**VAT**”) is regulated by the VAT Act, 1991, VAT Rules, 1991 (as amended in 2015) and VAT & Supplementary Duty Act, 2012. VAT is imposed on goods and services at the import stage, manufacturing, wholesale and retails levels under the VAT Act, 1991. The tax base for VAT at import stage is calculated by accumulating the customs assessable value, customs duty and supplementary duty (if any).

A uniform VAT rate of fifteen percent is applicable for both goods and services. VAT shall be paid by the importer in the case of imported goods, by the supplier in the case of goods produced or manufactured in Bangladesh and by the supplier of the service in the case of services. VAT Deduction at Source (“**VDS**”) is applicable to a number of specific payments as time to time prescribed by the VAT Authority.

However, VAT rate on exports is zero. VAT is not payable for imported capital machinery and spares.

Customs Duties

Customs duties in Bangladesh are regulated by the Customs Act, 1969 (the “**Customs Law**”) and several other rules passed from time to time. All import of goods is subject to payment of customs duties (variable according to the nature of goods). In general the customs authority practices a four tier duty structure, which is three percent for capital machinery, seven percent for basic raw materials, twelve percent for intermediate raw-material or semi-finished products, and twenty five percent for finished products under the Customs Law. All other imports are subject to import duty at the rate stipulated by the Customs Law.

For hundred percent export oriented industries no import duty is charged in case of capital machinery and spares. However, import duty is secured in the form of a bank guarantee or an indemnity bond to be returned after installation of the machinery. The machinery and spares must be installed within three years from the date of such import and hundred percent of the products produced using such machinery must be exported. For minimum eighty percent export oriented industries or more, import duty at one percent is charged in case of capital machinery and spares listed in relevant notifications.

EPZ industries and other export oriented industries can also import raw materials for their production without paying any import duty by obtaining a Bonded Warehouse Licence (“**BWL**”) issued by the Customs Authority. The BWL is subject to inspection and renewal by the Customs Authority on a periodic manner. Any contravention of the bond licence terms is seriously taken up by the Customs Authority and may lead to cancellation of the licence and fines. However, EPZ industries are allowed to supply products to other EPZ industries, and they can also market their products in domestic tariff areas, that is, domestic markets up to 10% of their export volume.

Dividend Tax

Dividend tax in Bangladesh is regulated by the Tax Laws. Applicable withholding rates on dividend are set out below. Bangladesh has Double Taxation Avoidance Agreement (“**DTAA**”) with over twenty nine countries with reduced withholding tax rate obligations on repatriation of dividends. The dividend tax rates are as follows:

- Resident/non-resident Bangladeshi company: 20%;

REGULATORY OVERVIEW

- Resident/non-resident Bangladeshi individual: 10%;
- Non-resident non-Bangladeshi individual: 30%; and
- Non-resident non-Bangladeshi company: Direct tax rate applicable to such a company.

However, industries set up in an EPZ are exempt from paying dividend taxes for the income tax exempted years.

Arbitration and Foreign Judgements

Arbitration in Bangladesh is governed by the Arbitration Act, 2001. Contractual provisions requiring submission of disputes to international arbitration and arbitral awards are also recognised by the local courts of Bangladesh. Bangladesh is also a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Foreign arbitral awards are enforceable in Bangladesh subject to the conditions outlined under the Arbitration Act, 2001.

Foreign judgments are generally recognised and reciprocally enforceable in Bangladesh from reciprocating jurisdictions. Litigation in Bangladesh through courts is time consuming and at times challenging, especially for a foreign company due to the archaic nature of the procedures and requirements in the courts in Bangladesh. Further, the enforcement process is also cumbersome, difficult and time consuming.

PRC REGULATORY OVERVIEW

Relevant Laws and Regulations on Incorporation, Operation and Management of Wholly Foreign-Owned Enterprises

The incorporation, operation and management of a company established in the PRC shall be subject to the Company Law of the PRC (《中華人民共和國公司法》) promulgated by the SCNPC on 29 December 1993, implemented on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, except otherwise provided by relevant laws or regulations on foreign investment.

The Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) promulgated by the National People's Congress of the PRC (the "NPC") on 12 April 1986 with effect from the same date, subsequently amended by the SCNPC on 31 October 2000 and recently amended by the SCNPC on 3 September 2016 which will take effect on 1 October 2016, as well as the Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》) promulgated by the Ministry of Foreign Trade and Economic Cooperation (the predecessor of the Ministry of Commerce) on 12 December 1990 and subsequently amended by the State Council on 12 April 2001 and 19 February 2014, stipulates the establishment requirements, approval procedures, filing administration, daily operation and other relevant matters of a wholly foreign-owned enterprise.

Any investment activities conducted by foreign investors in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》), the "Guidance Catalogue", the latest version of which was jointly promulgated by the National Development and

REGULATORY OVERVIEW

Reform Commission and the Ministry of Commerce on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue divides the industries for foreign investment into three categories: (i) Encouraged Category, (ii) Restrained Category, and (iii) Prohibited Category. Except otherwise restricted by applicable PRC laws or regulations, foreign investors are permitted to invest in the industries that fall into the Permitted Category, that is, the industries not listed in the Guidance Catalogue.

Relevant Laws and Regulations on Product Quality and Consumer Protection

Product Quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the “**Product Quality Law**”) promulgated by the SCNPC on 22 February 1993 with effect from 1 September 1993 and subsequently amended on 8 July 2000 and 27 August 2009, manufacturers shall be held responsible for the quality of their products and the sellers shall take measures to maintain the quality of the products they sell.

Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business licence, and (ii) criminal liabilities if the illegal activity constitutes a crime.

Protection of Consumers’ Rights and Interests

According to the Law of the PRC on the Protection of Consumers’ Rights and Interests (《中華人民共和國消費者權益保護法》), the “**Consumers Protection Law**”) promulgated by the SCNPC on 31 October 1993 with effect from 1 January 1994 and subsequently amended on 27 August 2009 and 25 October 2013, business operators providing commodities or services for consumers shall follow the principles of voluntariness, equity, fairness, honesty and good faith, and safeguard the consumers’ lawful rights and interests.

Under the Consumers Protection Law, business operators are required to ensure that the products supplied meet the requirements for safeguarding the safety of personal or property. Failing to do so will lead to various penalties, including but not limited to warning, confiscation of illegal earnings, imposition of fines, suspension of business for rectification, revocation of business licences, and/or even criminal liabilities.

Tort Liability

According to the Law of the PRC on Tort Liability (《中華人民共和國侵權責任法》) promulgated by the SCNPC on 26 December 2009 with effect from 1 July 2010 and the Consumers Protection Law, in the event of damage arising from a defective product, the infringer may seek compensation from either the manufacturer or seller of such product. If the damage is caused by the manufacturer of the products, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

REGULATORY OVERVIEW

Relevant Laws and Regulations on Anti-Unfair Competition

According to the Law of the PRC on Anti-Unfair Competition (《中華人民共和國反不正當競爭法》), the “**Anti-Unfair Competition Law**”) promulgated by the SCNPC on 2 September 1993 with effect from 1 December 1993, business operators shall not undermine their competitors by engaging in improper activities, including but not limited to, counterfeiting of the registered trademarks of others, market confusion, commercial bribery, misleading representation as to the quality of products, infringement of business secrets, price dumping, tie-in sale against the wish of purchase or attach unreasonable conditions, illegitimate premium sale, commercial libel, bid-rigging to force up or down the tender prices and collaboration with the bidder to exclude competitors from fair competition.

Any business operator who violates the Anti-Unfair Competition Law by engaging in the foregoing unfair competitive activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to the injured business operator. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such business operators. For severe cases, their business licences may be revoked. Such business operators may even be prosecuted if the illegal activities constitute a crime.

Relevant Laws and Regulations on Environmental Protection

According to the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989 with effect from the same date and subsequently amended on 24 April 2014 with effect from 1 January 2015, the Environmental Protection Administrative Department of the State Council is empowered to formulate the environmental quality standards and pollutant discharge standards of the PRC at national level. The people’s governments of provinces, autonomous regions and centrally-administered municipalities, subject to report for record to the Environmental Protection Administrative Department of the State Council, may formulate local environmental quality standards and pollutant discharge standards for the subjects not yet regulated under the respective national standards and may formulate stricter standards for the subjects regulated under existing national standards. Enterprises shall comply with both national and local standards.

According to the Law of the PRC on Evaluation of Environmental Effects (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and implemented on 1 September 2003 and subsequently amended on 2 July 2016 which took effect on 1 September 2016, the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 with effect on the same date, and the Administrative Measures on the Environmental Protection of Acceptance upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001, implemented on 1 February 2002 by the State Environmental Protection Administration (the predecessor of the Ministry of Environmental Protection) and subsequently amended by the Ministry of Environmental Protection on 22 December 2010, the evaluation of environmental effects of construction projects shall be conducted prior to the construction. Based on the extent of effects to the environment, the construction units shall submit to the relevant administrative departments of environmental protection the report on the environmental effects or the report form for the environmental effects, which shall be prepared by institutions with corresponding qualifications, or the registration form for the environmental effects as stipulated and obtain approvals from such administrative departments. Environmental protection facilities shall be designed, built and put into operation together with the main body of the construction project. Upon completion of the construction projects, the construction units shall apply to the administrative departments of environmental protection for acceptance check of the environmental protection facilities before the construction projects can be put into operation.

REGULATORY OVERVIEW

A broad range of environmental protection matters on water pollution, waste discharge, noise emission and air pollution are also provided by the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on 11 May 1984 and subsequently amended on 15 May 1996 and 28 February 2008, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on 30 October 1995 and subsequently amended on 29 December 2004, 29 June 2013 and 24 April 2015, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on 29 October 1996, and the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and subsequently amended on 29 August 1995, 29 April 2000 and 29 August 2015. On 23 December 2016, the Ministry of Environmental Protection of the People's Republic of China issued the Circular on Interim Provisions on the Administration of Pollutant Discharge Permits (《排污許可證管理暫行規定》) (“Circular 81”) with effect from the same date. According to Circular 81, the Ministry of Environmental Protection shall formulate and publish a catalogue by industries for the administration of pollutant discharge permits. Circular 81 provides that the Ministry of Environmental Protection shall operate a national information platform for the administration of pollutant discharge permits, where application, acceptance, review, issuance, alteration, renewal, cancellation or revocation of pollutant discharge permits shall be conducted, and there will be a unified reference number for each pollutant discharge permit issued by the Ministry of Environment Protection. Enterprises shall disclose to the public the main application contents before making an application for a pollutant discharge permit on the platform and simultaneously submitting written application materials printed from the platform to the local competent department of environmental protection authority for review and approval. According to Circular 81, the local competent department of environmental protection authority will review the application materials and issue pollutant discharge permits. As Circular 81 is newly issued and the Ministry of Environmental Protection has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

Any violation of the aforesaid laws and regulations on environmental protection may subject construction units or operators to various penalties, including but not limited to, imposition of fines, suspension of operations or orders to shut-down or close down, and/or even criminal liabilities.

Relevant Laws and Regulations on Purchase of Precursor Chemicals

According to the Regulations on the Administration of Precursor Chemicals (《易製毒化學品管理條例》) promulgated by the State Council on 26 August 2005 and amended respectively on 29 July 2014 and 6 February 2016, precursor chemicals are classified into three categories. The first category includes major materials that can be used for producing drugs, and the second and third categories include chemical agents that can be used for producing drugs. To purchase any chemicals that can be used to producing drugs in the second and third categories, the purchaser shall, prior to the purchase, file the information about the type and quantity in demand for record with the local public security authorities at the county level, save for any purchase of potassium permanganate of small quantity by an individual for self-use.

Any purchaser who violates the Regulations on the Administration of Precursor Chemicals may be subject to (i) administrative penalties including warnings, orders to make corrections within a prescribed time limit, confiscation of the precursor chemicals that were illegally purchased and other relevant raw materials, equipment and tools, imposition of fines, confiscation of illegal gains and/or, in severe cases, revocation of business licence, and (ii) criminal liabilities if the illegal activity constitutes a crime.

REGULATORY OVERVIEW

Relevant Laws and Regulations on Employment Matters

According to the Law of the PRC on Labour (《中華人民共和國勞動法》) and the Law of the PRC on Labour Contract (《中華人民共和國勞動合同法》) and its Implementing Regulations of the Law of the PRC on Labour Contract (《中華人民共和國勞動合同法實施條例》) which were promulgated by State Council and became effective on 18 September 2008, a labour relationship commences between the employers and the employees from the date of employment. The employers shall enter into written labour contracts with full-time employees. The employers shall pay the employees, in accordance with the labour contracts and relevant laws and regulations, the labour remuneration on time and in full. Violations of the Law of the PRC on Labour and the Law of the PRC on Labour Contract may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Law of the PRC on Social Insurance (《中華人民共和國社會保險法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), the Trial Measures for Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), the Interim Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Interim Measures for Registration and Administration of Social Insurance (《社會保險登記管理暫行辦法》), employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance of their employees. If employers fail to pay the social insurance, other than for legitimate reasons such as force majeure, the competent authority shall request the employers to pay the overdue payment or the deficit and the overdue fine within a specific term. In the event of failure to make the aforesaid payment, an additional fine may be imposed.

According to the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, the employers must register with the competent housing provident fund management centre and, upon the examination by such management centre, complete procedures for opening an account at the relevant banks for the deposit of their employees' housing provident fund. Employers are required to pay for, on behalf of their employees, housing funds. In the event of any failure by the employers to register or to pay the housing provident fund, the competent housing provident fund management centre shall request for the completion of the formalities or paying the overdue amount or the deficit within a specific term. Failure to do so may result in an overdue fine.

According to the safety laws and regulations in the PRC including the PRC Production Safety Law (《中華人民共和國安全生產法》) which became effective on 1 November 2002 and subsequently amended on 27 August 2009 and 31 August 2014, producing and business operating entities shall maintain safe production conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. Producing and business operating entities are required to offer education and training programmes to their employees regarding production safety. The design, manufacture, installation, use, checking and maintenance of their safety equipment shall comply with the applicable national or industrial standards. In addition, producing and business operating entities are required to provide their employees with labour protection articles that meet the national or industrial standards and to supervise and educate them to use such articles according to the prescribed rules.

REGULATORY OVERVIEW

Relevant Laws and Regulations on Foreign Exchange

According to the Administrative Regulations on the Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 with effect from 1 April 1996, and subsequently amended on 14 January 1997 and 5 August 2008 and other subsidiary regulations, the foreign exchange control is divided into the foreign exchange control of the current account items and that of the capital account items (such as domestic direct investments by foreign investors, the issuance and trading of negotiable securities or the derivative products, overseas borrowing and external guarantee). For the purposes of current account items, Renminbi may be converted into foreign currencies without prior approval; however, the foreign exchange income and expenditure of current account items shall be based on authentic and lawful trading activities. Capital account items, on the other hand, require the prior approval from or file for record with the State Administration of Foreign Exchange (the “SAFE”) or its local branches, as well as registration with such competent authority, for conversion of Renminbi into a foreign currency and remittance of the foreign currency.

On 10 May 2013, SAFE promulgated the Notice for the Provisions for Administration of Foreign Exchange Relating to Inbound Direct Investment by Foreign Investors published by the State Administration of Foreign Exchange and the Package Documentation (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which standardised and simplified the foreign exchange operating procedures and standards in terms of direct investments by foreign investors with regard to the foreign exchange registration, the account opening and usage, the income and expenditure of the funds and the purchase and sales of foreign exchange. On 13 February 2015, SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, “SAFE Circular 13”), which became effective on 1 June 2015. Under SAFE Circular 13, the foreign exchange procedures will be further simplified and it is no longer required to apply to SAFE or its local branches for the foreign exchange registration’s approval for domestic direct investment. Instead, the banks will directly review and carry out foreign exchange registration under domestic direct investment, and SAFE and its local branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On 30 March 2015, SAFE issued the Circular on the Reforming of the Management Method of the 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結匯管理方式的通知》, “SAFE Circular 19”), which became effective on 1 June 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose to convert its registered capital from foreign currency to Renminbi on a self-discretionary basis according to the actual needs of their business operation, but the use of such converted registered capital is subject to certain limitations, including but not limited to, that a foreign-invested enterprise shall not use such converted registered capital to provide entrusted loans (unless permitted within the business scope) or repay the inter-enterprise loans (including advances by third parties), or use such converted registered capital for expenditures beyond its business scope or expenditures prohibited by PRC laws or regulations. SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, “SAFE Circular 16”) on 9 June 2016, which became effective simultaneously. Pursuant to SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC. SAFE Circular

REGULATORY OVERVIEW

16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self use real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products.

As SAFE Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

Relevant Laws and Regulations on Taxes

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) promulgated by the NPC on 16 March 2007 and implemented on 1 January 2008, and the Implementation Rules for 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》) promulgated on 6 December 2007 by the State Council and became effective on 1 January 2008 (collectively, the “**EIT Law**”), enterprises as taxpayers are divided into resident enterprises and non-resident enterprises. According to the EIT Law, resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in the PRC, or (ii) have no entities or premises in the PRC but have income generated from the PRC. According to the EIT Law, foreign invested enterprises in the PRC fall into the category of resident enterprises, which shall pay enterprise income tax for the income originated from domestic and overseas sources at a uniform rate of 25%. Non-resident enterprises that have establishments or premises within the PRC shall pay an enterprise income tax at a rate of 25% on its income originated from such establishment or premises and the income generated overseas but actually related to their establishment or premises in the PRC. For non-resident enterprises that have no establishments or premises in the PRC, or those that have establishments or premises in the PRC but whose income has no actual relationship to such establishments or premises, any income originated from the PRC shall be subject to a withholding enterprise income tax at a tax rate of 10%. According to the EIT Law, dividends paid to foreign investors of foreign-invested enterprises are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if an enterprise in Hong Kong directly holds at least 25% of the equity of an enterprise in the PRC, then the withholding tax rate shall be 5% for the dividends distributed by the enterprise in the PRC to the enterprise in Hong Kong.

Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On 3 February 2015, the SAT issued the Announcement of SAT on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-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》, the “**Circular 7**”), which replaced or

REGULATORY OVERVIEW

supplemented certain previous provisions in the Notice of SAT on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (《國家稅務總局關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698, issued by SAT on 10 December 2009. Pursuant to Circular 7, an “indirect transfer” of assets, 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 assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax.

Circular 7 provides two exemptions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling equity interests of the same listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC taxable assets, the income from the transfer of such PRC taxable assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the Listing is unlikely to be considered to have indirectly transferred equity interest or other assets in any of our PRC subsidiaries held by our Company.

As Circular 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular 7 and the related SAT notices and it remains uncertain whether any of our future transactions involving PRC taxable assets outside of the PRC will be reclassified by applying Circular 7. If any of our future transactions involving PRC taxable assets outside of the PRC constitutes an indirect transfer of the PRC taxable assets and is subject to the EIT obligation under Circular 7, the amount of EIT shall be calculated based on the “income from the transfer” (the difference between the consideration for transfer and costs of equity interests) and applicable tax rate (a withholding tax rate of 10% shall be applicable, unless otherwise provided for in the relevant tax treaty).

Dividend Tax

Pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in 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》), which was promulgated by SAT and became effective on 20 February 2009, in order to enjoy the preferential tax rates provided under a tax agreement, all of the following requirements shall be satisfied by the fiscal resident of the other party to the tax agreement who directly owns a certain percentage or more (generally 25% or 10%) of the capital of a Chinese resident company which pays dividends to such a fiscal resident: (i) the tax resident that receives dividends shall be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the PRC resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reaches a percentage specified in the tax agreement.

According to the Announcement of SAT on Promulgation of the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment Under Tax Treaties (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), which was promulgated by SAT on 27 August 2015 with effect from 1 November 2015, if a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatment under the tax agreements, it shall submit relevant report forms and materials to the competent tax authority when making the first tax declaration in the relevant tax year or when the withholding agent makes the first withholding declaration in the relevant tax year.

REGULATORY OVERVIEW

Value-Added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 with effect from 1 January 1994 and subsequently amended on 10 November 2008 and 6 February 2016 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》) promulgated by the Ministry of Finance on 25 December 1993 with effect from the same date and subsequently amended on 15 December 2008 and 28 October 2011 (collectively, the “**VAT Law**”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

Relevant Laws and Regulations on Foreign Trade and Customs

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was adopted by the SCNPC on 12 May 1994, and was amended by the SCNPC on 6 April 2004 and the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce of the PRC (the “**MOFCOM**”) on 25 June 2004, which provides that any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for record purposes with the MOFCOM or an authority authorised by the MOFCOM, unless laws, administrative regulations and rules of the MOFCOM provide that it is unnecessary to go through such formalities. Where any foreign trade business operator fails to record filings according to relevant provisions, the customs authority shall not handle the procedures of customs declarations and release of the import or export goods.

The Regulations of the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) passed by the State Council, which became effective on 1 January 2002, together with the Foreign Trade Law of the PRC, standardise the administration of the import and export of goods. The PRC Government adopts an automatic import and export licencing system for some freely imported and exported goods and has a catalogue of such goods. From time to time, the PRC Government promulgates catalogues of restricted and prohibited goods. For the goods subject to import or export restrictions, the PRC Government maintains separate quota managing and licencing systems. Restricted goods may only be imported or exported with the approval of the relevant foreign trade department. Prohibited goods may not be imported or exported at all.

The Customs Law of the PRC (《中華人民共和國海關法》) was adopted by the SCNPC on 22 January 1987, and was amended by the SCNPC on 8 July 2000, 29 June 2013 and 28 December 2013. The Customs Law of the PRC provides that all import goods and export goods shall be subject to customs control, and shall be declared and duties on them shall be paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the customs authority. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export licence and relevant papers to the customs authority for examination. Enterprises engaged in the processing trade shall file an approval document and a processing contract at the customs authority. The finished products of a processing trade shall be re-exported within the stipulated time limit.

REGULATORY OVERVIEW

Relevant Laws and Regulations on Intellectual Properties

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the SCNPC on 12 March 1984 and came into effect on 1 April 1985 and was subsequently amended on 4 September 1992, 25 August 2000 and 27 December 2008, respectively, patent protection is divided into three categories: (i) invention patent, (ii) utility model patent, and (iii) design patent. Inventions and utility models must meet three conditions: novelty, inventiveness and practical applicability, and designs must be obviously different from current designs or combinations thereof. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper licence from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), which was adopted by the SCNPC in 1982 and amended in 1993, 2001 and 2013, and its implementation rules were adopted by the State Council in 2002 and amended in 2014. Trademarks are registered with the Trademark Office of the State Administration of Industry and Commerce. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending its registration for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

The registrant of a registered trademark may license others to use its registered trademark through the trademark licence agreement. Where the registered trademark is licensed, the name of the licensee and manufacturing location shall be indicated on the product with the licensed registered trademark. The trademark licence agreement shall be filed with the State Trademark Office for record.

Relevant Laws and Regulations on Real Property

According to the Property Law of the PRC (《中華人民共和國物權法》) which was promulgated by the NPC on 16 March 2007 and became effective on 1 October 2007, the creation, change, transfer or extinguishment of real property rights shall be registered pursuant to the provisions of the law. The ownership certificate of a real property shall be proof of a right holder's entitlement to property right of the real property.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) which was promulgated by the SCNPC on 25 June 1986 and subsequently amended on 29 December 1988, 29 August 1998 and 28 August 2004, no units or individuals may encroach on or illegally transfer land by buying, selling or other means. The right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by units or individuals shall be registered with and recorded by the PRC Government at or above the county level and relevant certificates shall be issued to certify the right of use

REGULATORY OVERVIEW

accordingly. Units or individuals that illegally occupy land without approval shall be ordered by the land administrative departments of the PRC Government at or above the county level to return the land illegally occupied. In the case of violating the general land utilisation plan by turning agricultural land into construction land without authorisation, the units or individuals shall be ordered to demolish the new buildings and other facilities on the land illegally occupied and restore the land to its original condition within a prescribed time limit and where the use of illegally occupied land has not violated the general land utilisation plan, confiscation of the new buildings and structures concerned shall be ordered and a fine may be concurrently imposed. Individuals directly in charge of the units illegally occupying the land and other individuals directly responsible for the violations shall be subject to administrative sanctions in accordance with law and where the case constitutes a crime, criminal responsibility shall be affixed in accordance with law.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) which was promulgated by the SCNPC on 28 October 2007 and amended on 24 April 2015, if the state-owned land use right for a construction project is granted, after the conclusion of a contract on granting of state-owned land use right, the construction unit shall apply to the competent department of urban and rural planning of the PRC Government at city or county level for Construction Land Planning Permit (建設用地規劃許可證). For construction of buildings, structures, roads, pipelines and other projects within city or town planning areas, the construction units or individuals shall apply to the competent department of urban and rural planning of the PRC Government at city or county level or the PRC Government at town level designated by the PRC Government of provinces, autonomous regions and centrally-administered municipalities for Construction Project Planning Permit (建設工程規劃許可證). Units proceeding with construction without obtaining a Construction Project Planning Permit (建設工程規劃許可證) or failing to observe the provisions in the Construction Project Planning Permit (建設工程規劃許可證) shall be ordered to discontinue the construction by the competent department of urban and rural planning of the PRC Government at or above the county level. If rectification measures can be adopted to eliminate the impact on the implementation of the planning, the unit shall be ordered to make rectification within a time limit and a fine not less than five percent but not more than ten percent the cost of the construction project shall be imposed. Otherwise, it shall be ordered to demolish the construction project within a time limit and if the construction project cannot be demolished, the construction project and relevant unlawful income shall be confiscated and a fine of not more than ten percent of the cost of the construction project may be concurrently imposed.

According to the Administrative Measures for Building Engineering Construction (《建築工程施工許可管理辦法》) promulgated by Ministry of Housing and Urban-Rural Development on 15 October 1999, becoming effective from 1 December 1999 and amended on 4 July 2001 and subsequently amended on 25 June 2014 which took effect on 25 October 2014, a construction entity engaging in the construction and decoration of various kinds of houses and buildings as well as the ancillary facilities shall apply for a construction permit from the competent construction administration authorities at county level or above where the construction is located before the commencement of the construction.

According to the Administration of the Quality of Construction Works Regulations (《建設工程質量管理條例》) promulgated and implemented by the State Council on 30 January 2000, if a construction entity carries out construction work without obtaining a Construction Work Commencement Permit or in circumstances where its construction commencement report has not been approved, it shall be ordered to stop the construction work and to make corrections within a certain time limit. The construction entity shall also be fined not less than 2% but not more than 4% of the contractual project price if the completion inspection has not been conducted while the construction has been put into service.

REGULATORY OVERVIEW

UNITED STATES REGULATORY OVERVIEW

Product Safety Laws

Enacted in 1972, the U.S. Consumer Product Safety Act (“**CPSA**”) is the umbrella statute for product safety in the United States, and the CPSA sets forth various laws pertaining to products sold in the United States. It also established and defined the authority of the Consumer Product Safety Commission (“**CPSC**”). Pursuant to this authority, the CPSC has promulgated a series of regulations that it enforces under the CPSA. In 2008, the Consumer Product Safety Improvement Act (“**CPSIA**”) was enacted and provided the CPSC with significant new regulatory and enforcement tools.

Section 14 of the CPSA provides that imported consumer products are required to bear certificates specifying compliance with applicable rules and standards under this Act. According to Section 17 of the CPSA, the importation of consumer products which fail to comply with relevant safety rules or to be accompanied by a certificate required by the CPSA will be refused importation into the United States. The CPSA provides for civil and criminal penalties with respect to the violation of the Act.

In addition, the CPSA contains several reporting requirements for manufacturers of consumer products sold in the United States. Section 15(b) of the CPSA requires manufacturers to inform the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with applicable consumer product safety rules, (2) contains certain defects, or (3) creates an unreasonable risk of serious injury or death. The CPSC may require the manufacturer to cease distribution of the affected product and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product into conformity with applicable consumer protection laws or regulations, repair the defect in the product, replace the product with an equivalent product that complies with relevant consumer safety rules, effect a product recall and/or refund the purchase price of the product.

Additionally, Section 37 of the CPSA requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of the filing of at least three civil actions related to death or grievous bodily injury that result in final settlement or a court judgment in favour of the plaintiff within a specified 24 month period.

The CPSC has also adopted flammability standards under the U.S. Flammable Fabrics Act (“**FFA**”) for apparel products which includes any costume worn or intended to be worn by individuals. The FFA bans the manufacture for sale, the sale, or the offering for sale, in commerce, or the importation into the United States of any product, fabric, or related material that fails to conform to an applicable standard or regulation.

Product Liability Laws

Product liability regulations are not generally promulgated under U.S. federal law, but rather state law in the United States, most of which are based on common law. Although differences do exist, the vast majority of states have adopted similar laws that share common principles as discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, the defendant could be held liable for a personal injury or

REGULATORY OVERVIEW

property damage caused by a failure to use due care. Strict liability claims, however, do not depend on the degree of carefulness by the defendant. A defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff only needs to establish that the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

The Food and Drug Administration ("FDA") and Federal Trade Commission ("FTC") Regulations

The two most important FDA laws pertaining to cosmetics marketed in the United States are the Food, Drugs, and Cosmetic Act (the "FDCA") and the Fair Packaging and Labeling Act ("FPLA"). The FDCA defines cosmetics as articles intended to be rubbed, poured, sprinkled or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance. The intended use of a product can be established in a number of ways, including by (a) claims stated on the product labeling, in advertising, on the Internet or in other promotional materials, or (b) consumer perception which may be established through the product's reputation. Cosmetics are not subject to pre-market approval by the FDA; however, certain ingredients such as colour additives must be pre-authorized. Under the authority of the FPLA, the FTC requires an ingredient declaration to enable consumers to make informed purchasing decisions. The FTC and FDA typically require a safety assessment of the product and reasonable basis to support any marketing claims. What constitutes a reasonable basis for substantiation can vary widely from market to market. If the safety of the products or ingredients has not been adequately substantiated, a specific warning label is required. Other warnings may also be mandated pursuant to FDA regulations. The FDA monitors compliance of cosmetic products through market surveillance and inspection of cosmetic manufacturers and distributors to ensure that the products neither have false nor misleading labelling and that they are not manufactured under unsanitary conditions. Inspections also may arise from consumer or competitor complaints filed with the FDA. In the event the FDA identifies false or misleading labelling or unsanitary conditions or otherwise a failure to comply with FDA requirements, a regulatory authority can require that the product is recalled or withdrawn from the market, or changes are made to manufacturing processes, product formulations or labels.

Laws and Regulations in respect of Internet Sales

We are also subject to a number of U.S. federal and state laws and regulations that affect companies conducting business on the Internet, including consumer protection regulations that regulate retailers and govern the promotion and sale of merchandise. Many of these laws and regulations are still evolving and being tested in courts, and could be interpreted in ways that could require us to modify the way we conduct our business. These may involve user privacy, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions and online payment services. In particular, we are subject to federal and state laws regarding privacy and protection of people's data. These laws and regulations are constantly evolving and can be subject to significant change. There are also a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning privacy and data protection which could affect us.

REGULATORY OVERVIEW

Import Regulations

Our shipments of products to the United States are subject to custom inspection and compliance.

The Bureau of Customs and Border Protection (“**CBP**”), which is part of the U.S. Department of Homeland Security, is responsible for enforcing all laws and regulations on the importation of carriers and commodities. An importer of goods and commodities to the U.S. is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate.

Import Tariffs

The United States generally imposes tariffs on goods imported from China, subject to the general rates applicable to most countries. Those rates are set forth in the Harmonized Tariff Schedule of the United States (the “**HTSUS**”). The Company’s hair wigs would appear to fall within Chapter 67 of the HTSUS, and its hair accessories (such as headbands and ponytail holders) appear to fall within Chapters 61 and 62 of the HTSUS. The Company’s Halloween products appear to fall within Chapter 95 for festive items. The goods must also bear markings of the country of origin which identify where the product is made. Note that embargoes, anti-dumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties.

Section 201 of the Trade Act of 1974, 19 U.S.C. § 2101 et. seq. (the “**Trade Act**”) permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorisation from the World Trade Organization (“**WTO**”) to take enforcement actions.

Anti-Dumping Laws

Under the Tariff Act of 1930, 19 U.S.C. § 1671 et. seq., U.S. industries may petition the government for relief from imports that are sold in the United States at less than “normal value” (“dumped”) or which benefit from certain subsidies provided through foreign government programs. Under the law, the U.S. Department of Commerce determines whether the dumping or subsidising exists and, if so, the margin of dumping or amount of the subsidy; the United States International Trade Commission (the “**USITC**”) determines whether there is material injury or threat of injury to the domestic industry by reason of the dumped or subsidised imports. For industries not yet established, the USITC may also be asked to determine whether the establishment of an industry is materially retarded by reason of the dumped or subsidised imports. Where an investigation reveals that foreign products are being “dumped” into the U.S. or are benefiting from countervailable subsidies, and where the USITC also finds that a U.S. industry producing a “like product” is materially injured or threatened with material injury by reason of such imports (or the establishment of such industry is materially retarded), the Commerce Department may impose appropriate anti-dumping duties and/or countervailing duties as a remedy for the dumping activities and subsidisation. Note that the U.S. applies a unique “retrospective” AD/CVD assessment system pursuant to which importers post cash deposits of “estimated” AD/CVD duties at the time of

REGULATORY OVERVIEW

importation at rates determined by the Commerce Department. Final liability for the duties is later determined depending upon whether an annual “administrative review” is conducted. If no administrative review is conducted, the duty amounts deposited at the time of import are generally the final duties. If an administrative review is conducted, final duties will be assessed retroactively at rates determined in the administrative review, with refunds or additional bills imposed (with interest) depending on whether the final rates determined in the administrative review are higher or lower than the amounts originally deposited at the time of import.

Section 337 Measures

Section 337 measures are imposed on imports by the U.S. International Trade Commission (“ITC”). Such measures are ordinarily imposed to address findings of intellectual property right infringement (but may broadly cover other forms of “unfair” practices in import trade such as misappropriation of trade secrets, trade dress infringement, passing off, false advertising, and violations of the antitrust laws). Section 337 investigations are conducted initially before administrative law judges at the ITC, with findings affirmed by the Commission as a whole. The investigation can result in the issuance of an exclusion order prohibiting importation of the article or a “cease and desist” order directing parties to cease certain actions. The orders are enforced by the CBP.

Competition and Antitrust Laws

The U.S. antitrust laws are developed in response to unfair business practices and anticompetitive conduct by companies, corporate monopolies and trusts. At the heart of U.S. antitrust laws is the Sherman Antitrust Act (“**Sherman Act**”), which prohibits agreements that unreasonably restrain trade and the unilateral abuse of monopoly power. Conduct such as price-fixing, bid-rigging, limitation of output, allocation of territories or customers and exclusionary conduct to achieve monopoly are prohibited under the Sherman Act. Violation of the Sherman Act and other anti-trust laws and regulations would lead to criminal and/or civil sanctions.

The U.S. antitrust laws apply to businesses and individuals alike. Certain laws and regulations also have an extraterritorial reach. Pursuant to the Foreign Trade Antitrust Improvement Act of 1982, the Sherman Act would apply to conduct that occurs outside of the United States if such conduct (1) has a direct, substantial and reasonably foreseeable effect on U.S. commerce, including U.S. import or export commerce; and (2) gives rise to a claim under the Sherman Act. Our trade and commerce with our U.S. clients are therefore subject to the U.S. antitrust laws.

OUR HISTORY AND DEVELOPMENT

OVERVIEW

We are a leading global manufacturer of hair goods. We design, manufacture and sell a wide range of hair goods made with synthetic fibres and human hair targeted at different ethnic groups and the Halloween market. See “Business” for further information of our business.

Mr. Chang Chih Lung, our founder, Honorary Chairman, non-executive Director and Controlling Shareholder, started in the trading of wig products in 1962 and the manufacture and sale of wig products in the 1970s. In 1984, Mr. Chang Chih Lung ventured into hair goods production when our first production facilities in Guangzhou, China commenced operations. We subsequently expanded our production in China by establishing production centres in Shenzhen, Kunming and Yuzhou. In 1992, Mr. Chang Yoe Chong Felix joined our business and has since taken over day-to-day management. In December 2009, we began to diversify our production to Bangladesh by renting a facility in the UEPZ. Since then, we have continued to expand our production capacity in Bangladesh by purchasing and constructing several buildings. Since April 2010, we have also leased facilities outside of the UEPZ. As at 31 December 2016, we operated two production centres in Bangladesh with a total of 30 production lines and approximately 13,000 staff in Bangladesh. Our UEPZ Production Centre, consisting of 13 buildings, is located inside of the UEPZ. Our GT Production Centre, is located outside of the UEPZ among six nearby facilities.

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law on 19 May 2016 as an exempted company with limited liability. Pursuant to the Reorganisation, as more particularly described in “– Reorganisation” in this section, our Company became the holding company of our Group for the purpose of the Listing.

KEY BUSINESS MILESTONES

The following table sets forth a summary of the key development milestones of the operations of our Group:

<u>Year</u>	<u>Major events</u>
1962	• Mr. Chang Chih Lung, our founder, Honorary Chairman and non-executive Director, commenced trading of wig products in Hong Kong.
1970s	• Mr. Chang Chih Lung commenced wig manufacturing business in Hong Kong.
1980s	• Mr. Chang Chih Lung and his late wife established a partnership with the name of “Evergreen Products Factory” for the design, manufacture and sale of hair goods.
1984	• Our first production centre in Guangzhou, China commenced operations.
1987	• Our second production centre in Shenzhen, China commenced operations.
1992	• Mr. Chang Yoe Chong Felix, our Chairman, Chief Executive Officer, and executive Director, joined “Evergreen Products Factory”.
1994	• Evergreen Products Factory transferred all its fixed assets to Evergreen Factory, a company, at that time, wholly owned by Mr. Chang Chih Lung and his late wife.

OUR HISTORY AND DEVELOPMENT

Year	Major events
1995	<ul style="list-style-type: none"> • Our third production centre in Kunming, Yunnan, China was established through Kunming Evergreen. Kunming Evergreen was established in China as a wholly-owned subsidiary of Evergreen Factory.
2003	<ul style="list-style-type: none"> • Our fourth production centre that engaged in human hair processing, bleaching and dyeing in Yuzhou, Henan, China was established through Evergreen Factory (YZ). Evergreen Factory (YZ) was established in China as a wholly-owned subsidiary of Evergreen Factory. • I-Corporation, which engaged in the trading of hair goods, was incorporated in Japan as a wholly-owned subsidiary of Evergreen Factory.
2009	<ul style="list-style-type: none"> • Evergreen Factory (BD), a company engaged in the manufacture of hair goods, was incorporated in Bangladesh as a wholly-owned subsidiary of Evergreen Factory.
2010	<ul style="list-style-type: none"> • Our Bangladesh Production Base commenced production.
2012	<ul style="list-style-type: none"> • Our Nantou research and display centre with a small production line in Shenzhen, China was established through Shenzhen Evergreen and replaced our second production facility. Shenzhen Evergreen was established as a wholly-owned subsidiary of Evergreen Factory.
2013	<ul style="list-style-type: none"> • Our Bangladesh Production Base contributed approximately 40% of our revenue. Total revenue of our Group reached approximately HK\$405.6 million.
2014	<ul style="list-style-type: none"> • Our Bangladesh Production Base contributed approximately 54% of our revenue. Total revenue of our Group reached approximately HK\$533.9 million.
2015	<ul style="list-style-type: none"> • SEAVI Advent invested a total of US\$15 million in Evergreen Group, the holding company of our Group at the time. • Our Bangladesh Production Base contributed approximately 69% of our revenue. Total revenue of our Group reached approximately HK\$554.5 million.
2016	<ul style="list-style-type: none"> • Our Bangladesh Production Base contributed approximately 82% of our revenue. Total revenue of our Group reached approximately HK\$595.7 million.

OUR HISTORY AND DEVELOPMENT

OUR CORPORATE DEVELOPMENT

Our Subsidiaries

We engage in the design, manufacture and sale of hair goods through various subsidiaries established in Bangladesh, China, Hong Kong, the United States and Japan. As a leading global hair goods manufacturer with operations in various countries, we incorporated local subsidiaries to streamline our operations and manage our operations in a more efficient manner. We also incorporated intermediate holding companies in Hong Kong and the BVI to hold some of our subsidiaries. Set forth below is the corporate development of our subsidiaries which have made material contributions to our Group:

Evergreen Factory

Evergreen Factory was incorporated in Hong Kong on 14 December 1993 as a limited liability company with an authorised share capital of HK\$3 million divided into 30,000 shares of HK\$100 each. As at the date of its incorporation, Evergreen Factory issued and allotted one share to each of its first subscribers, namely Wai Chiu Company Limited and Wai Hop Company Limited, at par value. On 5 February 1994, the said subscribers transferred one share to Mr. Chang Chih Lung and one share to Ms. Shan Yi Sin, Mr. Chang Chih Lung's late wife, at nominal value.

On 8 February 1994, Evergreen Factory issued and allotted 17,999 shares and 11,999 shares to Mr. Chang Chih Lung and Ms. Shan Yi Sin at par value respectively. After a series of share transfers among Mr. Chang Chih Lung, Ms. Shan Yi Sin, Mr. Chang Yoe Chong Felix and their controlled corporations from October 2003 to July 2010, 15,300 shares and 14,700 shares of Evergreen Factory were held by CLC Global Company (PTC) Limited (a company wholly owned by CLC Family Trust) and FC Global Company (PTC) Limited (a company wholly owned by Felix Family Trust) on 2 July 2010, respectively. On 12 January 2015, CLC Global Company (PTC) Limited and FC Global Company (PTC) Limited transferred 15,300 shares and 14,700 shares of Evergreen Factory to Evergreen Group (a company indirectly and wholly owned by the Felix Family Trust and the CLC Family Trust as at 12 January 2015) for nil consideration. On 22 June 2016, Evergreen Group transferred all the issued shares of Evergreen Factory to Evergreen Investment as described in “– Reorganisation” below.

EPF Global

EPF Global was incorporated on 18 December 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. EPF Global principally engages in the trading of hair goods. As at the date of its incorporation, it issued and allotted 10,000 shares to Evergreen Factory.

EPF International

EPF International was incorporated on 18 December 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. EPF International principally engages in the trading of hair goods and related products in Hong Kong. As at the date of its incorporation, it issued and allotted 10,000 shares to Evergreen Factory.

Kunming Evergreen

Kunming Evergreen was established by Evergreen Factory in the PRC on 13 July 1995 as a limited liability company with an initial registered capital of HK\$5.6 million. Kunming Evergreen principally engages in the manufacture of hair goods in our Kunming production centre.

OUR HISTORY AND DEVELOPMENT

From February 2001 to October 2009, subsequent to a series of capital injections by Evergreen Factory for the business expansion of Kunming Evergreen, the registered capital of Kunming Evergreen increased from HK\$5.6 million to HK\$56.27 million, out of which HK\$45.526 million was paid up. When we diversified our production to Bangladesh in 2010, we decided not to inject further capital to Kunming Evergreen. In September 2010, the registered capital of Kunming Evergreen was reduced from HK\$56.27 million to HK\$45.526 million, which was fully paid up.

Evergreen Factory (YZ)

Evergreen Factory (YZ) was established by Evergreen Factory in the PRC on 5 September 2003 as a limited liability company with registered capital of US\$2 million. Evergreen Factory (YZ) principally engages in human hair processing, bleaching and dyeing in our Yuzhou production centre.

Evergreen Factory (BD)

Evergreen Factory (BD) was incorporated in Bangladesh on 30 September 2009 as a limited liability company with an authorised share capital of BDT1 million divided into 10,000 shares of BDT100 each. Evergreen Factory (BD) principally engages in the manufacture of hair goods. As at the date of its incorporation, it issued and allotted 470, 15 and 15 shares, representing 94%, 3% and 3% of its entire issued share capital, to Evergreen Factory, Mr. Kwok Yau Lung Anthony and Mr. Chan Chi Wai Alfred, respectively. Mr. Kwok Yau Lung Anthony and Mr. Chan Chi Wai Alfred, both our employees at that time, held those shares as trustees for and on behalf of Evergreen Factory.

In May 2012, Mr. Kwok Yau Lung Anthony transferred all his shares in Evergreen Factory (BD) to Evergreen Factory. In June 2013, Mr. Chan Chi Wai Alfred transferred all his shares in Evergreen Factory (BD) to Mr. Chan Kwok Keung, our Vice Chairman and executive Director. Since then, 485 and 15 shares of Evergreen Factory (BD) have been held by Evergreen Factory and Mr. Chan Kwok Keung, respectively. Mr. Chan Kwok Keung holds 15 shares of Evergreen Factory (BD) as a trustee for and on behalf of Evergreen Factory. Hence, Evergreen Factory beneficially owns the entire issued share capital in Evergreen Factory (BD).

Gold Timing

Gold Timing was incorporated in Bangladesh on 22 April 2010 as a limited liability company with an authorised share capital of BDT1 million divided into 10,000 shares of BDT100 each. Gold Timing principally engages in the manufacture of hair goods. As at the date of its incorporation, it issued and allotted 980, 10 and 10 shares, representing 98%, 1% and 1% of its entire issued share capital, to Evergreen Factory, Mr. Kwok Yau Lung Anthony and Mr. Chan Chi Wai Alfred, respectively. Mr. Kwok Yau Lung Anthony and Mr. Chan Chi Wai Alfred held those shares as trustees for and on behalf of Evergreen Factory.

In May 2012, Mr. Kwok Yau Lung Anthony transferred all his shares in Gold Timing to Evergreen Factory. In June 2013, Mr. Chan Chi Wai Alfred transferred all his shares in Gold Timing to Mr. Chan Kwok Keung. Since then, 990 and 10 shares of Gold Timing have been held by Evergreen Factory and Mr. Chan Kwok Keung, respectively. Mr. Chan Kwok Keung holds 10 shares of Gold Timing as a trustee for and on behalf of Evergreen Factory. Hence, Evergreen Factory beneficially owns the entire issued share capital of Gold Timing.

OUR HISTORY AND DEVELOPMENT

Shenzhen Evergreen

Shenzhen Evergreen was established by Evergreen Factory in the PRC on 9 May 2012 as a limited liability company with registered capital of HK\$3 million. Shenzhen Evergreen principally engages in the manufacture of hair goods in our Nantou research and development centre. Our Nantou research and display centre also houses a small production line.

PRE-IPO INVESTMENT

Overview

On 19 March 2015, Evergreen Group (as the holding company of our Group at the time), Evergreen Holdings, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and SEAVI Advent entered into a share subscription agreement pursuant to which SEAVI Advent would subscribe for 36,908,517 series A redeemable and convertible preferred shares in Evergreen Group for a total consideration of US\$15 million. On 25 March 2015, Evergreen Group issued and allotted the said shares to SEAVI Advent.

For the purpose and as part of the Reorganisation, on 29 June 2016, our Company, Evergreen Group, Evergreen Holdings, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and SEAVI Advent entered into the Reorganisation Deed. See “– Reorganisation” for details of our Reorganisation. After the Reorganisation, SEAVI Advent held 36,908,517 Preferred Shares.

Details of the Pre-IPO Investment

Name of investor	SEAVI Advent
Payment date of the investment	27 March 2015
Number of shares purchased	36,908,517 series A redeemable and convertible preferred shares of Evergreen Group. Upon the completion of the Reorganisation, SEAVI Advent became a holder of 36,908,517 Preferred Shares.
Amount of consideration paid	US\$15 million (the “ Investment Amount ”), which was subsequently contributed to Evergreen Factory for use towards working capital and capital expenditures.
Basis of determination of the consideration	Based on arm’s length negotiations between SEAVI Advent, Evergreen Group, Evergreen Holdings, Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix after taking into consideration of the profitability and future prospects of our Group.
Cost per Preferred Share paid	Approximately US\$0.41 per Preferred Share.
Total number of Shares held by SEAVI Advent upon full conversion immediately prior to the Global Offering	124,346,197 Shares, assuming the Preferred Shares held by SEAVI Advent are converted in full based on the Initial Conversion Ratio and taking into account the Capitalisation Issue, before any sale of the Sale Shares under the International Placing and without regard to the Over-allotment Option and the stock borrowing arrangement between SEAVI Advent and the Stabilising Manager under the Stock Borrowing Agreement. See “Structure of the Global Offering – Stock Borrowing Arrangement” for details.

OUR HISTORY AND DEVELOPMENT

Cost per Share paid and discount to Offer Price	Approximately US\$0.12 (approximately HK\$0.94), representing a discount of approximately 47.13% to the mid-point of the indicative Offer Price range of HK\$1.65 to HK\$1.90.
Shareholding of SEAVI Advent in our Company immediately prior to the Global Offering	27.0%, assuming the Preferred Shares held by SEAVI Advent are converted in full, on a one-to-one basis, before any sale of the Sale Shares under the International Placing and without regard to the Over-allotment Option and the arrangement under the Stock Borrowing Agreement.
Shareholding of SEAVI Advent in our Company immediately upon Listing	Approximately 15.2%, assuming the Preferred Shares held by SEAVI Advent are converted in full, on a one-to-one basis, taking into account the Capitalisation Issue and assuming the Over-allotment Option is not exercised and without regard to the arrangement under the Stock Borrowing Agreement.
Use of proceeds	For working capital and capital expenditures for the expansion of the production capacity of our Bangladesh Production Base. The proceeds from the investment by SEAVI Advent have been fully utilised.
Strategic benefits to our Company	We believe the introduction of SEAVI Advent as our investor will broaden our shareholder base and enhance our internal control and management as we can benefit from their extensive investment experience.
Conversion of the Preferred Shares	The Preferred Shares are convertible into Shares at the initial conversion ratio of 1:1 (the “ Initial Conversion Ratio ”), which is subject to customary adjustment events such as capitalisation issue, share subdivision, combination or reclassification, and dilutive issuance, including, in the event of an issuance of new securities (other than certain excepted issuance) for a consideration per share less than the initial conversion price (the “ Initial Conversion Price ”, an amount equivalent to the Investment Amount divided by 36,908,517) prior to the conversion of the Preferred Shares, the Initial Conversion Price shall be reduced to the per share price that our Company received for such issue of securities.

OUR HISTORY AND DEVELOPMENT

SEAVI Advent shall have the rights described below with respect to the conversion of the Preferred Shares to the Shares:

Optional Conversion

SEAVI Advent may convert all (but not part(s)) of the Preferred Shares into Shares prior to closing of the first firm commitment, underwritten public offering to the general public of the shares of our Company (or such other company structured as the ultimate shareholder of Evergreen Factory for the purpose of such initial public offering) on the Stock Exchange or any recognised international stock exchange as may be agreed by the parties to the Reorganisation Deed in accordance with the terms of the pre-IPO investment as set out in the Reorganisation Deed (the “**QIPO**”).

Automatic Conversion

All Preferred Shares held by SEAVI Advent shall be automatically converted into Shares immediately prior to the QIPO. The Global Offering is expected to be a QIPO. All Preferred Shares held by SEAVI Advent will be converted into Shares prior to the Global Offering.

Shareholder’s Rights prior to Listing

Pursuant to the Shareholders Agreement, subject to applicable laws, the Listing Rules and rules promulgated by the Stock Exchange, SEAVI Advent was granted a number of shareholder’s rights in relation to our Group. Set forth below is a summary of principal shareholder’s rights granted to SEAVI Advent under the Shareholders Agreement and the Reorganisation Deed, all of which will be terminated upon completion of the Global Offering:

Dividends and distribution policy Prior to the conversion of the Preferred Shares, SEAVI Advent shall be entitled to a return of 2% per annum on the Investment Amount (the “**Preferred Return**”) for each of the years ended/ending 31 December 2015, 2016 and 2017.

If the distributable profit of a financial year is less than the Preferred Return, all of the distributable profit for such financial year shall be paid to SEAVI Advent. Prior to any distribution of dividends on the Shares in the following financial years, our Company shall make up any outstanding shortfall on the Preferred Return of each previous financial year until such shortfall has been paid.

OUR HISTORY AND DEVELOPMENT

After the shortfall of the Preferred Return has been met and the Preferred Return for a particular financial year have been distributed, the higher of (x) HK\$20 million or (y) 30% of the Audited Net Profit of that financial year shall be declared as dividends for the Shares provided that if the amount of distributed profits (after the deduction made to meet any shortfall from the Preferred Return of previous year(s)) is such an amount which entitles SEAVI Advent to a distribution which is higher than the paid Preferred Return upon the distribution by our Company on a fully diluted basis, SEAVI Advent shall be entitled to payment of the shortfall in respect thereof.

After the conversion of the Preferred Shares, SEAVI Advent shall be entitled to any dividends declared by our Company to the Shares on a pro rata basis.

Redemption rights when Listing does not take place

In the event that our Company fails to complete a QIPO by 27 March 2018, SEAVI Advent shall have the right to require our Company to redeem all their Shares or Preferred Shares.

The redemption price shall be equal to (i) the Investment Amount plus (ii) an amount which would enable SEAVI Advent to achieve a return calculated on the basis of an internal rate of return of 15% on the Investment Amount from 27 March 2015 (that is, the date of the payment of the Investment Amount) until the aggregate redemption price is fully paid, with such an amount to be offset against the aggregate amount that SEAVI Advent received prior to the exercise of its right of redemption.

Director nomination rights

SEAVI Advent is entitled to appoint one nominee to the Board, one nominee to the board of directors of Evergreen Investment and two nominees to the board of directors of Evergreen Factory. Immediately prior to QIPO, SEAVI Advent shall have the right to appoint one additional nominee to the Board.

Pursuant to such rights, Mr. Chan Hoi Sing Harold and Mr. Chan Lau Yui Kevin have been appointed as our non-executive Directors. It is expected that they will continue to act as our Directors after our Listing subject to the retirement and re-appointment requirements under the Listing Rules, our Articles of Association and applicable laws.

OUR HISTORY AND DEVELOPMENT

Veto rights	<p>Certain corporate actions of our Group require prior consent of SEAVI Advent or the director appointed by SEAVI Advent so long as SEAVI Advent is a Shareholder. Subject to Cayman Companies Law, such actions include, amongst others, any amendment to the memorandum and articles of association, change in share capital, disposal of material assets, related party transactions, incurrence of substantial indebtedness, adoption or change of the annual business and budget plan, substantial capital expenditure not in our ordinary course of business, any declaration or distribution of dividend of an amount more than 50% of the Audited Net Profit of a financial year, disposal of technology, removal of auditor, conducting an initial public offering on a stock exchange other than the Stock Exchange or any recognised international stock exchange as may be agreed by the parties to the Reorganisation Deed, or conducting an initial public offering which is not a QIPO.</p>
Pre-emptive right	<p>SEAVI Advent has a pre-emptive right to purchase up to its pro rata share of any new securities that our Company may, from time to time, propose to sell or issue.</p>
Profit guarantee prior to Listing	<p>2014 Adjustment</p> <p>If the Audited Net Profit for 2014 is less than HK\$61 million, our Company undertakes to issue an amount of additional Preferred Shares (the “2014 Top Up Shares”) to SEAVI Advent equal to the result as calculated in accordance with the following formula:</p> $36,908,517 \times ((\text{HK\$}62 \text{ million} - \text{Audited Net Profit for 2014}) / \text{HK\$}62 \text{ million})$ <p>2015 Adjustment</p> <p>If the Audited Net Profit for 2015 is less than HK\$71.6 million, our Company, in its sole discretion, undertakes to:</p> <p>(i) issue an amount of additional Preferred Shares (the “2015 Top Up Shares”) to SEAVI Advent equal to the result as calculated in accordance with the following formula:</p> $(36,908,517 + 2014 \text{ Top Up Shares}) \times ((\text{HK\$}71.6 \text{ million} - \text{Audited Net Profit for 2015}) / \text{HK\$}71.6 \text{ million})$ <p>OR</p> <p>(ii) pay SEAVI Advent by cash in an amount equal to the result as calculated in accordance with the following formula:</p> $(7 \times \text{HK\$}71.6 \text{ million}) \times (\text{US\$}15 \text{ million} / (7 \times \text{Audited Net Profit for 2014})) \times ((\text{HK\$}71.6 \text{ million} - \text{Audited Net Profit for 2015}) / \text{HK\$}71.6 \text{ million})$

OUR HISTORY AND DEVELOPMENT

2016 Adjustment

If the Audited Net Profit for 2016 is less than HK\$96.6 million, our Company, in its sole discretion, undertakes to:

- (i) issue an amount of additional Preferred Shares (the “**2016 Top Up Shares**”) to SEAVI Advent equal to the result as calculated in accordance with the following formula:

$$(36,908,517 + 2014 \text{ Top Up Shares} + 2015 \text{ Top Up Shares}) \times ((\text{HK}\$96.6 \text{ million} - \text{Audited Net Profit for 2016}) / \text{HK}\$96.6 \text{ million})$$

OR

- (ii) pay SEAVI Advent by cash in an amount which is equal to the result as calculated in accordance with the following formula:

$$(7 \times \text{HK}\$96.6 \text{ million}) \times (\text{US}\$15 \text{ million} / (7 \times \text{Audited Net Profit for 2014})) \times ((\text{HK}\$96.6 \text{ million} - \text{Audited Net Profit for 2016}) / \text{HK}\$96.6 \text{ million})$$

2017 Adjustment

If the Audited Net Profit for 2017 is less than HK\$130.4 million, our Company, in its sole discretion, undertakes to:

- (i) issue an amount of additional Preferred Shares (the “**2017 Top Up Shares**”) to SEAVI Advent which is equal to the result as calculated in accordance with the following formula:

$$(36,908,517 + 2014 \text{ Top Up Shares} + 2015 \text{ Top Up Shares} + 2016 \text{ Top Up Shares}) \times ((\text{HK}\$130.4 \text{ million} - \text{Audited Net Profit for 2017}) / \text{HK}\$130.4 \text{ million})$$

OR

- (ii) pay SEAVI Advent by cash in an amount equal to the result as calculated in accordance with the following formula:

$$(7 \times \text{HK}\$130.4 \text{ million}) \times (\text{US}\$15 \text{ million} / (7 \times \text{Audited Net Profit for 2014})) \times ((\text{HK}\$130.4 \text{ million} - \text{Audited Net Profit for 2017}) / \text{HK}\$130.4 \text{ million})$$

SEAVI Advent has confirmed that there is no need to make any adjustment for 2014, 2015 and 2016 after taking into account of our business performance and prospect during the Track Record Period.

OUR HISTORY AND DEVELOPMENT

Information rights	<p>SEAVI Advent has the right to receive financial statements, management accounts and annual budgets.</p> <p>SEAVI Advent and its professional advisors shall have the right to information relating to our business, facilities, properties, management, employees, and accounting and legal advisers, as well as the information and documents relating to the preparation of the QIPO.</p>
Limitation on transfers	<p>No Shareholder at any time prior to the earlier of (i) QIPO; or (ii) the exercise of any right of redemption or put options by SEAVI Advent shall effect any transfer of equity securities or any part thereof, directly or indirectly, without the prior written consent of all other Shareholders.</p>
Right of first offer	<p>If any Shareholder proposes to transfer any equity securities of our Company to any person other than a competitor, it shall first offer to transfer such equity securities to other Shareholders.</p>
Tag-along rights	<p>If (i) a Shareholder other than SEAVI Advent (the “Selling Holder”) receives from an independent party who is not an affiliate of the Selling Holder or a competitor, a bona fide arm’s length written offer (the “Bona Fide Offer”) for the purchase of a portion or all of its Shares (the “Offered Shares”); (ii) the Selling Holder is interested in selling such Shares pursuant to such Bona Fide Offer; (iii) such transfer is otherwise permitted under the Shareholders Agreement; and (iv) SEAVI Advent does not elect to purchase the Offered Shares pursuant to its right of first offer, SEAVI Advent shall have the right to participate in such sale of shares at the same price and upon the same terms and conditions as to be paid and given to the Selling Holder.</p> <p>Where SEAVI Advent has properly elected to exercise its tag-along rights but the proposed transferee fails to purchase such shares from SEAVI Advent, SEAVI Advent shall have a right to put such shares to the Selling Holder.</p>
Security arrangement	<p>As a part of the pre-IPO investment, 30 million Shares beneficially and legally owned by Evergreen Holdings were charged in favour of SEAVI Advent pursuant to a share charge entered into between the parties on 29 June 2016 (the “Share Charge”) as a continuing security for the performance and discharge of the Reorganisation Deed, the Shareholders Agreement, the Share Charge and any other documents required to give effect to the foregoing documents. The Share Charge will terminate upon the completion of the Global Offering.</p>

OUR HISTORY AND DEVELOPMENT

Information regarding SEAVI Advent

SEAVI Advent is an investment holding company which is wholly owned by SEAVI Advent Equity V (A) Ltd, a company beneficially owned by SEAVI Advent Equity V Fund. SEAVI Advent Equity V Fund is a private equity fund managed by SEAVI Advent Management Ltd, a member of SEAVI (“South East Asia Venture Investment”) Advent Private Equity. SEAVI Advent Private Equity is a private equity firm operating in the Asia Pacific region since 1984.

As a substantial shareholder of our Company upon Listing, Shares held by SEAVI Advent will not be counted towards the public float after Listing.

The Sole Sponsor confirms that the pre-IPO investment is in compliance with the Interim Guidance (that is, Guidance Letter HKEx-GL29-12) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

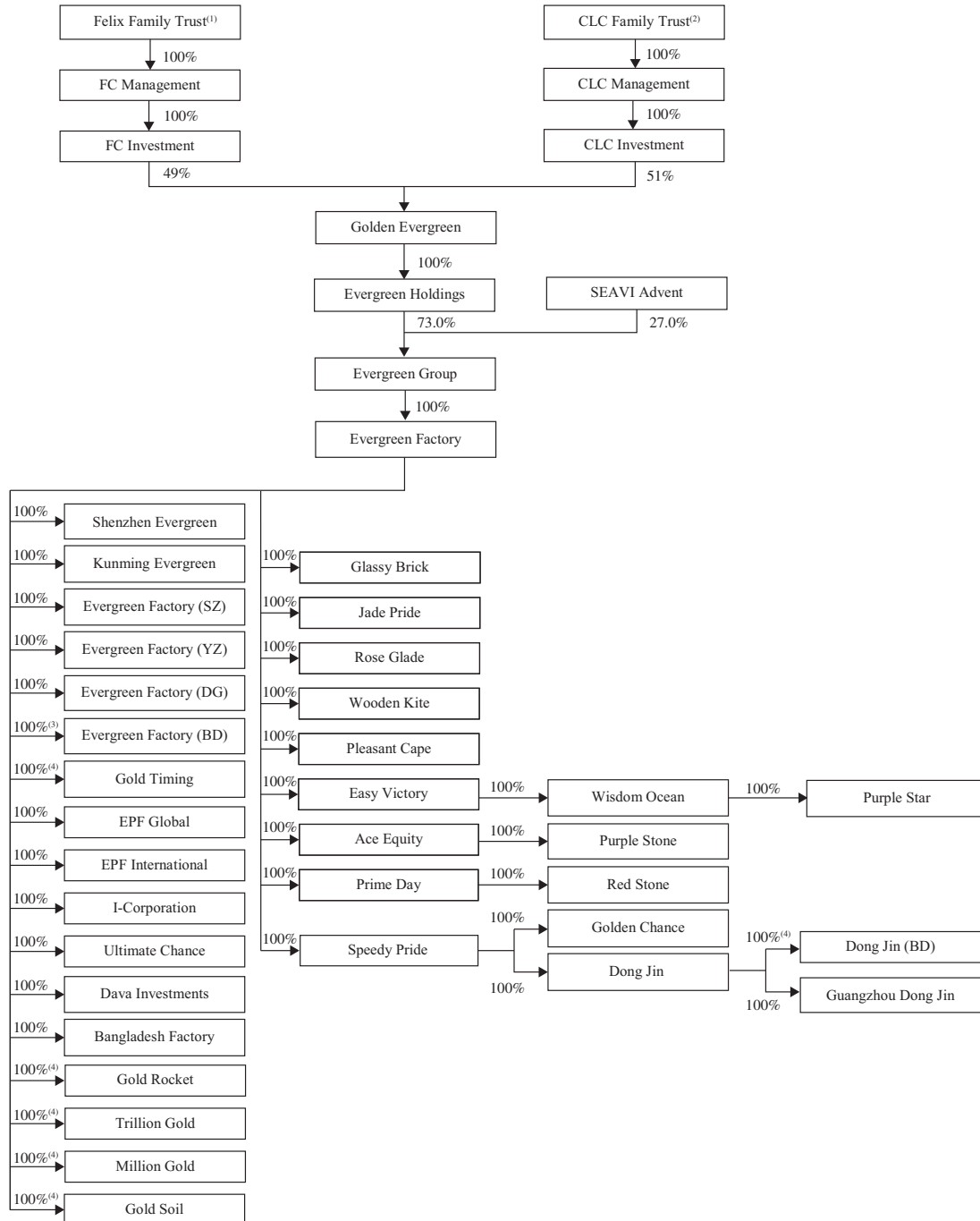
Disposal of Properties

Our Group principally engages in the design, manufacture and sale of hair goods. Prior to the disposal described below, we also held certain properties which were unrelated to our hair goods business. To facilitate the listing of our hair goods business and to expedite the implementation our strategic direction and development plan, in April 2015 we disposed of such properties to the subsidiaries of Ventures Day, which will become connected persons of our Company upon our Listing, for a total consideration of HK\$141.2 million, which is equal to the properties’ carrying amounts. This disposal was properly and legally completed and settled. For further details, see “Relationship with our Controlling Shareholders”.

OUR HISTORY AND DEVELOPMENT

REORGANISATION

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation (assuming all Preferred Shares have been converted into our Shares on a one-to-one basis):



Notes:

- (1) Felix Family Trust is a discretionary trust set up by Mr. Chang Yoe Chong Felix as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue.
- (2) CLC Family Trust is a discretionary trust set up by Mr. Chang Chih Lung as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Yoe Chong Felix and his issue.

OUR HISTORY AND DEVELOPMENT

- (3) Evergreen Factory (BD) was legally held as to 97% and 3% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding the shares in Evergreen Factory (BD) for and on behalf of Evergreen Factory.
- (4) Each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) was legally held as to 99% and 1% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding the shares in each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) for and on behalf of Evergreen Factory.

We underwent the Reorganisation in preparation for the Global Offering. Our Directors believe the Global Offering will enhance the capital base of our Group and provide us with additional working capital to implement our future plans as set out in “Business – Our Business Strategies” and “Future Plans and Use of Proceeds”.

Prior to the Reorganisation, various companies comprising our Group were held by Evergreen Group.

Incorporation of our Company

On 19 May 2016, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability with an authorised share capital of US\$50,000 divided into 5,000,000 shares of par value US\$0.01 each. On the date of incorporation, one share was allotted to International Corporation Services Ltd., the first subscriber. On 10 June 2016, one share was transferred from the first subscriber to Evergreen Holdings.

Incorporation of Evergreen Investment

On 30 May 2016, Evergreen Investment was incorporated in the BVI as a limited liability company authorised to issue a maximum of 50,000 shares of US\$1 each. As at the date of its incorporation, one share was allotted to our Company.

Increase of share capital of our Company and transfer of shares of Evergreen Factory to Evergreen Investment

On 22 June 2016, the authorised share capital of our Company was increased from US\$50,000 divided into 5,000,000 shares of US\$0.01 each to US\$5,000,000 divided into 500,000,000 shares of US\$0.01 each, and the authorised share capital of our Company was re-designated so that 400,000,000 shares in the share capital of our Company, including one issued share, be re-designated to 400,000,000 Shares and 100,000,000 shares in the share capital of our Company be re-designated to 100,000,000 Preferred Shares.

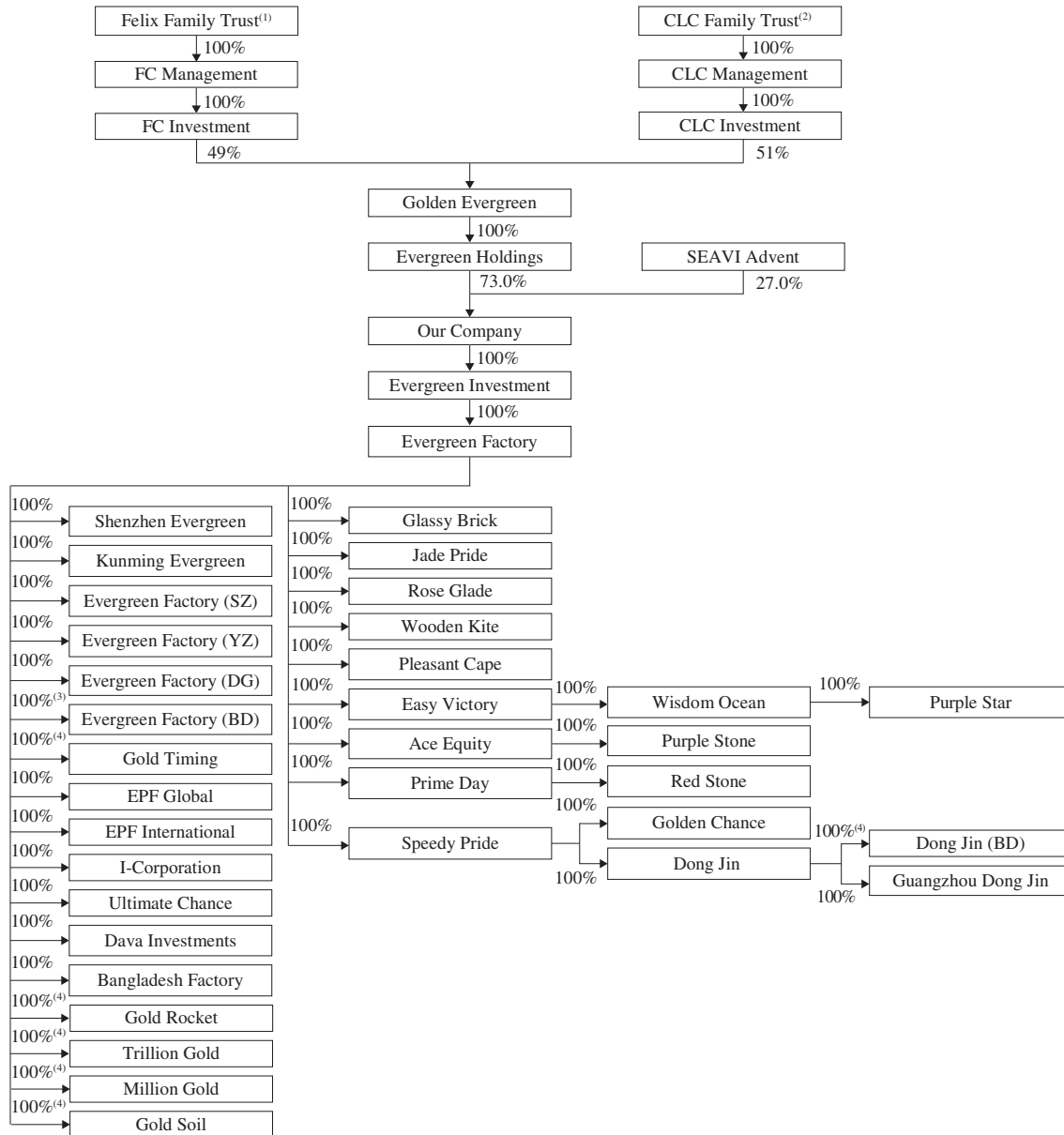
On the same date, Evergreen Group transferred 30,000 ordinary shares of Evergreen Factory, representing the entire issued share capital in Evergreen Factory, to Evergreen Investment, and 99,999,999 Shares and 36,908,517 Preferred Shares were issued to Evergreen Group as consideration for the said transfer of the entire shareholding interest in Evergreen Factory.

Distribution of our Shares to Evergreen Holdings and SEAVI Advent

On 30 June 2016, pursuant to the Reorganisation Deed, Evergreen Group distributed 99,999,999 Shares and 36,908,517 Preferred Shares as dividends in specie to Evergreen Holdings and SEAVI Advent, respectively. Accordingly, both Evergreen Holdings and SEAVI Advent became shareholders of our Company holding 100,000,000 Shares and 36,908,517 Preferred Shares, respectively.

OUR HISTORY AND DEVELOPMENT

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation on 30 June 2016 (assuming all Preferred Shares have been converted into our Shares on a one-to-one basis):

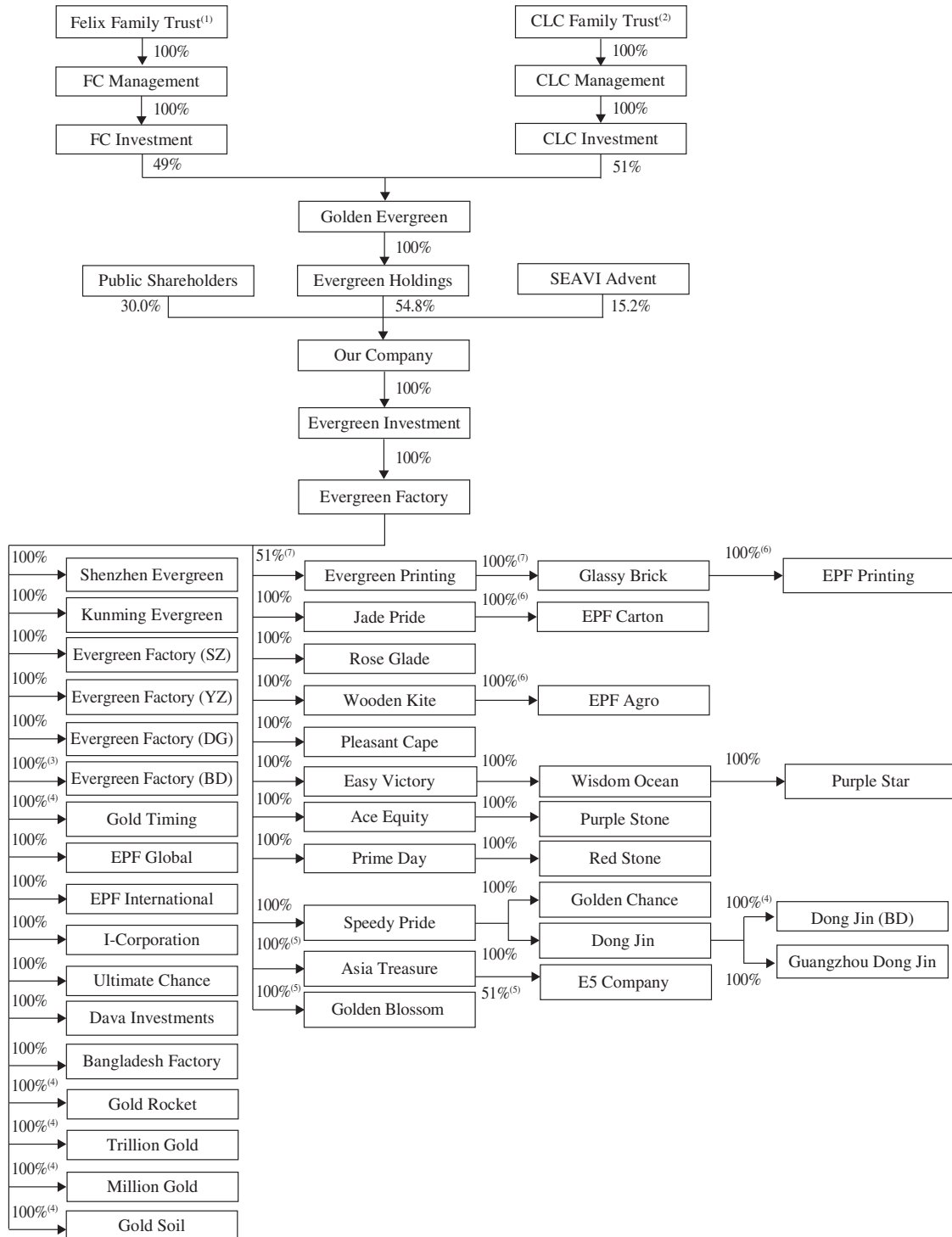


Notes:

- (1) Felix Family Trust is a discretionary trust set up by Mr. Chang Yoe Chong Felix as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue.
- (2) CLC Family Trust is a discretionary trust set up by Mr. Chang Chih Lung as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Yoe Chong Felix and his issue.
- (3) Evergreen Factory (BD) was legally held as to 97% and 3% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee who holds the shares in Evergreen Factory (BD) for and on behalf of Evergreen Factory.
- (4) Each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) was legally held as to 99% and 1% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding shares in each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) for and on behalf of Evergreen Factory.

OUR HISTORY AND DEVELOPMENT

The following chart sets out our corporate and shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and assuming all Preferred Shares have been converted into our Shares on a one-to-one basis and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme):



OUR HISTORY AND DEVELOPMENT

Notes:

- (1) Felix Family Trust is a discretionary trust set up by Mr. Chang Yoe Chong Felix as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue.
- (2) CLC Family Trust is a discretionary trust set up by Mr. Chang Chih Lung as settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Yoe Chong Felix and his issue.
- (3) Evergreen Factory (BD) was legally held as to 97% and 3% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding the shares in Evergreen Factory (BD) for and on behalf of Evergreen Factory.
- (4) Each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) was legally held as to 99% and 1% by Evergreen Factory and Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding shares in each of Gold Timing, Gold Rocket, Trillion Gold, Million Gold, Gold Soil and Dong Jin (BD) for and on behalf of Evergreen Factory.
- (5) Asia Treasure and Golden Blossom were incorporated in the BVI on 6 July 2016 and 6 October 2016, respectively. As at the Latest Practicable Date, Golden Blossom had not commenced any business. E5 Company was incorporated in Japan on 22 November 2016. Upon incorporation, 51% and 49% of its equity interest were owned by Asia Treasure and Aplan TGS, respectively. Prior to the incorporation of E5 Company, Aplan TGS and its beneficial owner(s) were independent from our Company and its connected persons. Upon such incorporation, Aplan TGS became a connected person of our Company at the subsidiary level.
- (6) EPF Printing, EPF Carton and EPF Agro were incorporated in Bangladesh on 12 July 2016, 12 July 2016 and 28 July 2016, respectively. Each of EPF Printing, EPF Carton and EPF Agro was legally held 99.9% by Glassy Brick, Jade Pride and Wooden Kite, respectively and 0.1% by Mr. Chan Kwok Keung, our executive Director, respectively. Mr. Chan Kwok Keung is a trustee holding shares in each of EPF Printing, EPF Carton and EPF Agro for and on behalf of Glassy Brick, Jade Pride and Wooden Kite, respectively. As at the Latest Practicable Date, none of EPF Printing, EPF Carton and EPF Agro had commenced any business.
- (7) On 15 January 2016, Glassy Brick allotted one share to Evergreen Factory. On 5 November 2016, Glassy Brick allotted 50 shares and 49 shares to Evergreen Factory and Eastern Alpha Limited, respectively. Prior to this allotment, Eastern Alpha Limited and its ultimate beneficial owner(s) were independent from our Company and its connected persons. Subsequent to the allotment, Eastern Alpha Limited held 49% of the issued share capital of Glassy Brick and became a connected person of our Company at the subsidiary level. On 3 January 2017, (i) Evergreen Printing was incorporated in Hong Kong with limited liability, and 51% and 49% of the issued share capital of Evergreen Printing were owned by Evergreen Factory and Eastern Alpha Limited, respectively; and (ii) Evergreen Factory and Eastern Alpha Limited transferred all their shares in Glassy Brick to Evergreen Printing at the consideration of US\$1 per share. After that transfer, Evergreen Printing became the sole shareholder of Glassy Brick.

OVERVIEW

We are a leading global manufacturer of hair goods, including wigs, hairpieces, braids and high-end human hair extensions. According to the Frost & Sullivan Report, we ranked fifth in synthetic hair goods sales globally with an approximately 4.0% market share of global synthetic hair goods manufacturer revenue in 2016. We design, manufacture and sell a wide range of hair goods made with synthetic fibres and human hair targeted at different ethnic groups and the Halloween market.

Our principal market is the United States, which contributed approximately 76.3% of our revenue in 2016. Our key sales products in the United States include synthetic hair goods used mainly by women of African descent for daily wear as well as beauty and grooming purposes. We believe that the demand for such products is of a recurring nature, with product styles subject to changes in fashion trends. We continue to expand our market share in the United States through our design and manufacture of high quality hair goods with higher margins such as high-end human hair extensions, aided by our production expansion.

Our other key markets are Europe and Asia, which contributed approximately 7.2% and 14.3%, respectively, of our revenue in 2016. Our sales in these two markets primarily consist of high-end human hair extensions as well as other hair goods designed for women of African descent in Europe.

We sell our products to: (i) wholesalers; (ii) mass retailers for our Halloween products; (iii) hair salons in Asia; and (iv) e-commerce customers. Our wholesaler and mass retailer customers sell our products under their own brands or brands they are licensed to use, while in Asia, we primarily sell products under our own brands through e-commerce sales.

Our headquarters, as well as our accounting and finance, human resources and administration, and sales and marketing offices, are based in Hong Kong. Our product design, research and development team consisted of 110 employees in China and 140 employees in Bangladesh as at 31 December 2016. We have three production centres in China and two production centres in Bangladesh. Our production facilities were initially set up in China. Due to rising labour costs in China, in 2009 we began to diversify our production in Bangladesh where we could tap into a sufficiently large labour pool at lower wage levels. We plan to further construct and complete four new production facilities in Bangladesh by the end of 2019, comprising an additional GFA of approximately 175,100 sq.m. and planned capacity of approximately 11,800 additional production employees. As at 31 December 2016, we had a total of 809 employees in China and 12,918 employees in Bangladesh.

During the Track Record Period, we have expanded rapidly in terms of production scale and revenue. For the years ended 31 December 2014, 2015 and 2016, our revenue was HK\$533.9 million, HK\$554.5 million and HK\$595.7 million, respectively. During the same periods, we generated profit of HK\$70.4 million, HK\$68.7 million and HK\$32.8 million, respectively. Without taking into account of the effects of change in fair value of our Preferred Shares and listing expenses, our profit for the year ended 31 December 2016 would have been approximately HK\$86.1 million.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our past success, which will continue to enable us to increase our market share and capture future growth opportunities in our target markets:

One of the leading manufacturers that produces a comprehensive product portfolio which captures various markets and fashion trends

We believe that both our broad product portfolio and presence in all major markets of hair goods provide us with a competitive advantage over manufacturers with a narrower product offering or more limited market presence. In particular, we have a well-established presence in the following product segments: (i) wigs, hair accessories and others, (ii) high-end human hair extensions, and (iii) Halloween products.

In 2016, we manufactured over 15,000 different types of hair goods. Our ability to produce a wide range of products has made it possible for us to capitalise on growth trends in the industry. We have the capability to adjust our product mix based on the economic conditions of each target market, which allows us to capitalise on an economic boom by promoting more high-end luxury products and to sustain our business during a downturn by increasing the production of more economic products.

Our wide product range also provides us the flexibility to adjust our production planning. For example, in anticipation of the seasonal demand for Halloween products, we are able to adjust our production planning to target completion of production close to the delivery dates. Our recurring products are generally in constant demand, subject to fashion changes. This demand allows us to maximise our production utilisation to compensate for any shortfall in production volume of other types of hair goods due to weaker demand in other product segments during any given year. In addition, we are able to increase the production of a particular fashionable product to capture potential spikes in demand driven by changes in customer preference or a new fashion trend.

Lower production costs through a strategic production base in Bangladesh

The manufacture of hair goods is a labour intensive industry. Due to rising labour costs in China, we have established a production base in Bangladesh which has enabled us to tap into a sufficiently large labour pool at a lower wage level. According to the World Bank, in 2015 the population of Bangladesh was approximately 161 million and the proportion of its population aged between 15 and 64 was approximately 65.6%. For the financial year ended 31 December 2016, the average monthly salary and benefits per our production employee in China and Bangladesh were approximately HK\$2,850 and HK\$870, respectively.

Since May 2010, we have located our primary production base to the Uttara Export Processing Zone, or UEPZ, in Bangladesh. Our UEPZ Production Centre benefits from centralised utility services and access to a large labour pool. Evergreen Factory (BD), one of our major subsidiaries, also enjoys certain tax incentives, including a tax holiday for corporate income tax for ten years until 2019, duty-free import of machinery, equipment and raw materials, as well as duty-free export of goods produced in the UEPZ.

In addition to our UEPZ Production Centre, we also occupy six nearby facilities located outside of the UEPZ, where we have access to labour pools from different locations and also enjoy lower operating costs including lower labour and utility fees. For further details, see “– Production – Production Facilities”.

BUSINESS

As a result of the establishment of our Bangladesh Production Base, we are able to achieve greater economies of scale to better manage our production planning and to purchase raw materials in bulk. We believe that Bangladesh will continue to provide us with a large labour pool at a low cost to support our growth. We are further expanding our production capacity in Bangladesh and plan to construct and complete four new production facilities in Bangladesh by the end of 2019, comprising an additional GFA of approximately 175,100 sq.m. and planned capacity of approximately 11,800 additional production employees. For further details, see “– Our Operations in Bangladesh – Production Expansion Plans”.

During the years ended 31 December 2014, 2015 and 2016, our production costs per unit of products by product segment in our Bangladesh Production Base and China Production Base were as follows:

	For the year ended 31 December					
	2014		2015		2016	
	BD ⁽¹⁾	CN ⁽¹⁾	BD	CN	BD	CN
	<i>(HK\$)</i>					
Production costs per unit of products⁽²⁾						
Wigs, hair accessories and others.	8.7	11.3	12.4	12.8	12.2	12.5
High-end hair extensions	–	134.2	148.4	149.5	132.5	134.3
Halloween products	13.3	–	13.3	–	15.0	–

Notes:

- (1) BD means the Bangladesh Production Base; CN means the China Production Base.
- (2) Production costs per unit of products are derived by dividing the sum of raw material costs and direct labour costs by the number of units of products.

We believe that our relatively low labour costs and the favourable tax treatment of our Bangladesh Production Base not only minimise our production costs but also increase our ability to attract new customers through competitive pricing. We also believe that we are well-positioned to gain significant market share in the human hair goods market in the United States due to our cost advantages.

Given the level of demand for hair accessories and hair extensions as a result of the size and growth of the hair goods market, we further believe that we are well-positioned to increase our sales in these product segments, particularly once we expand our bleaching and dyeing capabilities with the addition of a bleaching and dyeing facility at our Bangladesh Production Base to complement our facility in China. We will thereby be able to further decrease our production lead time and increase the efficiency of our production processes.

Solid, long-term relationships with our customers

We maintain significant long-term business relationships with our key customers. For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers accounted for 43.6%, 52.2% and 51.0% of our revenue, respectively. As at 31 December 2016, we had an average of approximately 20 years of business relationships with our five largest customers.

We also work with our customers to design and manufacture products that fit their particular specifications and needs. We work closely with customers who provide feedback to us on the design of our hair goods. This feedback enables us to better design and develop products that are in demand, and are adjusted to the needs of our customers. Frequent communications and strong relationships help our

BUSINESS

Company to better design and develop our products, which, in turn, enables our customers to effectively capture changing fashion trends at competitive prices.

We believe that our experience and long-term relationships with our key customers have created a stable business model that reinforces our business success. We intend to leverage on our stable business relationships to continue to introduce new products and target new markets.

Close collaboration with customers on product design, research and development enables us to successfully and continuously expand our product range

We believe that our success is partially attributable to our innovation, research and development capabilities, which enable us to continuously expand our product range. We regularly collaborate with our key customers in the product design and development processes of our products thereby broadening our hair goods portfolio.

We are supported by a dedicated product design, research and development team with extensive experience in the design, research and development of hair goods. Throughout our history, we have employed a number of design experts to devise various style and trend specific designs. As at 31 December 2016, our product design, research and development team consisted of 110 employees in China and 140 employees in Bangladesh, the key members of which each have more than 18 years of experience in the industry. Each year our product design, research and development team produces approximately 7,800 new product designs, styles and colours as product offerings to customers.

We create original designs or develop the conceptual designs of our customers into deliverable products by capitalising on the industry experience of our product design, research and development team as well as the market intelligence that we gain from our customers from time to time. We also provide customers with recommendations on the relevant raw material composition and production methods. We believe these services enhance our flexibility and adaptability and reinforce our relationships with our strategic customers.

A strong senior management team with in-depth industry knowledge

We have a strong senior management team with in-depth knowledge and extensive experience in the global hair goods industry. Mr. Chang Chih Lung, our founder, Honorary Chairman and a non-executive Director, has accumulated over 40 years of experience in the hair goods industry. His son, our current Chairman, Chief Executive Officer and an executive Director, Mr. Chang Yoe Chong Felix, joined us in 1992 upon his graduation from the University of Warwick. He has held roles in developing our strategies and visions and overseeing the operations of our Group. He is also instrumental in diversifying our operations to Bangladesh. Our Vice Chairman, executive Director and the head of our sales department, Mr. Chan Kwok Keung, has worked in our Group for over 20 years.

Most of the members of our senior management team have over 15 years of experience in their respective fields, and many of them have been with us since our inception. In addition, we place a strong emphasis on encouraging, training and retaining our employees. We train our staff into skilled employees and workers and offer them a complete career development path. Under the leadership of our strong management team, we believe that we will continue to grow.

OUR BUSINESS STRATEGIES

We plan to increase our market share and enhance our revenue sources and profitability by adopting the following business strategies:

Introduce more human hair goods in our “African descent – United States and Europe” product segment

Our largest market comprises consumers of African descent in the United States and Europe. In 2016, the total size of this market was US\$1,632.0 million, and the market is likely to increase at a CAGR of 15.0% to US\$3,325.3 million by 2021 according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, in 2016 this market accounted for 67.9% of natural hair products (58.5% human hair and 9.4% other materials, such as animal hair) and 32.1% of synthetic hair goods.

We plan to leverage on our market leading position in synthetic hair goods to further increase our market share in the human hair goods market. We have already established a market presence in this market through our high-end human hair extensions. As most of our existing wholesaler customers in this market also sell human hair goods, we believe that we can further penetrate the human hair goods market by increasing sales through these existing wholesaler customers. We plan to construct a bleaching and dyeing complex in Bangladesh which will be dedicated to processing human hair as a raw material. The complex is expected to be completed by the end of 2019. This bleaching and dyeing complex will allow us to ramp up our scale of production of human hair goods. Increased scale of production will enhance our profitability by enabling us to negotiate more favourable prices for bulk purchases of human hair as a raw material. The bleaching and dyeing complex will also enable us to roll out additional human hair goods for the Caucasian and Asian markets which will enhance our sales and increase our profit margin.

Further develop the “High-end Human Hair Extensions” product segment

We intend to expand our sales network for the high-end human hair extensions market in order to capitalise on our know-how licence agreement and trademarks licence agreement with our Strategic Partner, an European-based business partner with whom we have entered into such agreements for the non-exclusive use of its know-how and trademark for the manufacture and sale by us of wigs, toupees and hair extensions in the specified territory. We primarily use such know-how in the manufacture of our high-end human hair extensions. We intend to use its trademarks in the sale of our high-end human hair extensions in Asia. Up to the Latest Practicable Date, we had not sold any products with our Strategic Partner’s trademarks. The global human hair extension market, by revenue, was US\$2,255.1 million in 2016, and is likely to increase at a CAGR of 21.3% to grow to US\$5,977.5 million by 2021, according to the Frost & Sullivan Report. High-end human hair extension products account for 38.9% of the entire global human hair extension market, by revenue, in 2016 with a steadily increasing proportion in the coming years, according to the Frost & Sullivan Report.

We market our high-end human hair extensions made with human hair under our brands “EXT Bands” and “La Buosse” in Japan and China, respectively. We also sell these high-end human hair extensions to our Strategic Partner’s licensed wholesalers, which, in turn, sell such products under their own brands or brands that they are licensed to use to salons and retailers in the United States and Europe. For the years ended 31 December 2014, 2015 and 2016, our sales of high-end human hair extensions amounted to HK\$100.7 million, HK\$130.6 million and HK\$141.5 million, respectively.

BUSINESS

Our high-end human hair extensions are primarily sold to hair salons where hairstylists apply the products to end-users. Our Strategic Partner works with us and our wholesalers to promote our high-end human hair extensions to salons. We also intend to further introduce our products to salons in South Korea and Thailand and eventually throughout the rest of Asia. We believe that our expansion to these countries would provide us with an opportunity to increase our sales in this high margin hair goods segment.

Increase penetration for our “Halloween” product segment

We design, manufacture and sell Halloween products to wholesalers and also directly to mass retailers on a seasonal basis. We plan to expand our Halloween product offerings to our existing wholesalers and mass retailers as well as increase our mass retailer base and our retail customer base in the Asian market. We began to manufacture and sell Halloween costumes along with our Halloween hair goods in April 2015. The global market size of the Halloween costumes market, by end-customer price, was approximately US\$13.4 billion in 2016, and is expected to grow to approximately US\$23.8 billion by 2021, according to the Frost & Sullivan Report. We also plan to continue to introduce more costumes as part of our product offering in this segment, to complement our Halloween hair goods. We expect this will increase our profit margin.

Expand and improve our production capabilities in Bangladesh

For the years ended 31 December 2014, 2015 and 2016, the utilisation rate of our Bangladesh Production Base reached 88.5%, 95.2% and 93.4%, respectively. See “– Production – Production Capacity and Utilisation Rate”. In order to meet the expected increase in demand for our products and to capture business opportunities arising from the growth in the hair goods industry, we intend to further expand our production capacity and scope of operations in Bangladesh to include human hair sourcing, bleaching and dyeing, as well as printing and package cartoning. We are currently constructing one new production facility in Bangladesh, namely our GT Hand Tie Facility, and plan to commence construction on three additional production facilities, namely our Bleaching and Dyeing Complex, UEPZ Printing Facility and UEPZ Carton Facility, by the end of 2017. We are targeting completion of all four new production facilities in Bangladesh by the end of 2019, and expect that with the addition of these new facilities in Bangladesh, we will be able to improve our production efficiency through consolidation of our raw material processing and hair goods production functions in Bangladesh and to shorten our production lead time, in addition to increasing our production capacity. For details, see “– Our Operations in Bangladesh – Production Expansion Plans”.

Enhance and expand our design, research, development and other value-added services

Our capabilities in design, research, development and other value-added services play an integral part in our success in the hair goods industry. We plan to relocate our existing research and display centre and sales offices currently situated in Nantou, Shenzhen to Dongguan, Guangdong and to consolidate them with a planned, new logistics centre in Dongguan. As our product design, research and development team has grown and our sales continue to increase, we require more space to accommodate a centralised team and display centre and to accommodate the display of our expanding product portfolio. We plan to relocate to Dongguan, Guangdong and purchase a new facility there with a targeted GFA of approximately 10,000 sq.m. After relocating and consolidating our two facilities to Dongguan, we expect that (i) our design, research and development team can work in the same location as our sales team, (ii) our sales team can more easily provide information on any updates in fashion trends or propose changes in design; and (iii) we will have more conveniently-located, spacious showrooms to properly display our product portfolio and manufacturing processes and to discuss new product models with visiting customers. We also have a product design department at our UEPZ Production Centre. We are also implementing local product design, research and development teams in both China and Bangladesh that can closely monitor our production processes to improve manufacturing efficiency, reduce production costs and develop new product samples.

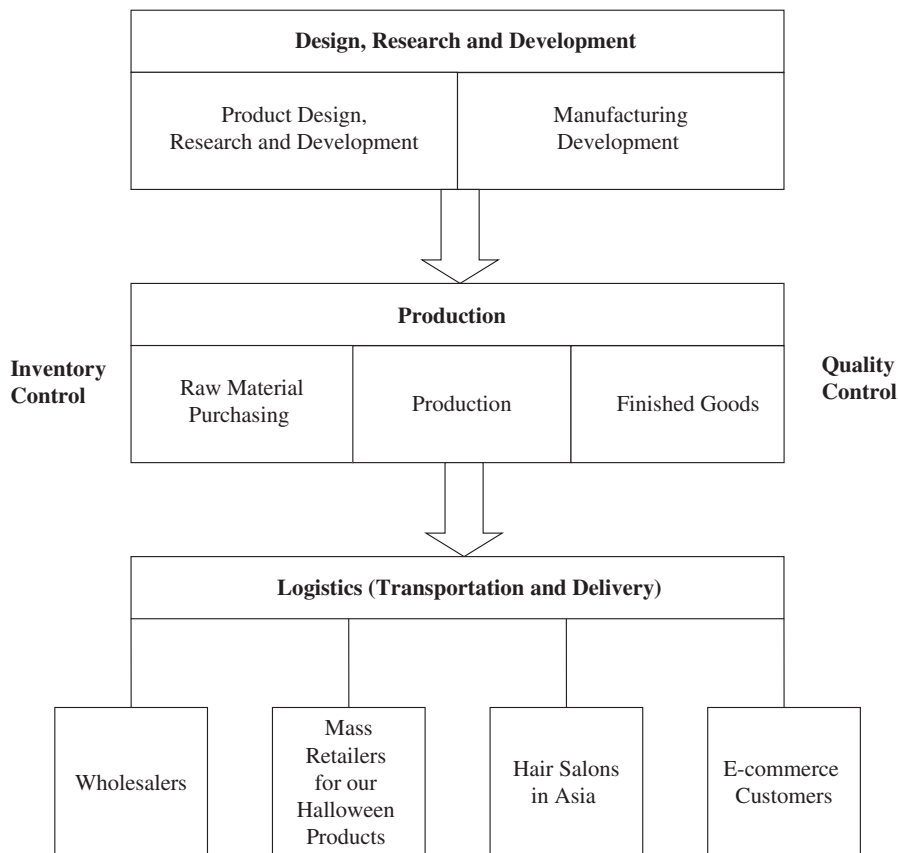
BUSINESS

Expand our e-commerce business

We believe that the Internet provides a highly efficient platform for us to sell our products, particularly our Halloween products and our products generally to the Asian market where we conduct sales to e-commerce customers directly. We plan to expand our e-commerce business by improving the appearance and functionality of our online sales platforms, conducting additional marketing and promotional activities on the Internet and forming additional partnerships with well-known online sales platforms. We believe that a well-developed factory-to-consumer channel can change the retail landscape, and we are well-positioned to lead this change through partner websites and our own websites such as “qddcn.com” primarily for the China market and “flagwigs.com” for our various sports team affiliations and country- or event-themed wigs.

BUSINESS MODEL

We design, manufacture and sell a wide range of hair goods. We collaborate with our customers in market research and product design processes. Based on customer input, our product design, research and development team creates products for customers’ selection, broadening our hair goods portfolio. Our raw materials principally consist of various synthetic fibres and human hair. We strive to produce quality products while remaining price competitive by managing our labour costs at a low level. We manufacture products for third parties under their own brands or brands that they are licensed to use, and manufacture and sell our own branded products in Asia as a wholesaler and e-commerce retailer. Our customers include: (i) wholesalers, (ii) mass retailers for our Halloween products, (iii) hair salons in Asia and (iv) e-commerce customers. The diagram below summarises our business model.



BUSINESS

OUR PRODUCTS

We design, manufacture and sell a wide range of hair goods with synthetic fibres and human hair. Our principal products include full wigs, half wigs, lace wigs, hairpieces such as drawstrings, accessories such as buns, general braids, special braids, weavings, toupees, high-end human hair extensions and Halloween products.



Full wig



Bun



Drawstring



High-end human hair extensions



Halloween wigs

BUSINESS

Product Segments

We monitor, review and manage our sales in the following product segments, with the following revenue and corresponding percentage of sales during the respective periods:

Product segments	For the year ended 31 December					
	2014	2015		2016		
	<i>(HK\$ in millions, except percentage)</i>					
Wigs, hair accessories and others⁽¹⁾						
African descent – United States and Europe ⁽²⁾	310.1	58.1%	326.9	59.0%	371.3	62.3%
native African ⁽³⁾	32.2	6.0%	9.8	1.8%	6.9	1.2%
Caucasian ⁽⁴⁾	43.1	8.1%	33.8	6.1%	23.4	3.9%
Asian						
Self-owned brands ⁽⁵⁾	1.3	0.2%	2.3	0.4%	3.1	0.5%
Other products and trading of hair ⁽⁶⁾	<u>6.2</u>	<u>1.2%</u>	<u>5.7</u>	<u>1.0%</u>	<u>4.6</u>	<u>0.8%</u>
Subtotal	<u>392.9</u>	<u>73.6%</u>	<u>378.6</u>	<u>68.3%</u>	<u>409.3</u>	<u>68.7%</u>
High-end human hair extensions⁽⁷⁾	100.7	18.9%	130.6	23.5%	141.5	23.8%
Halloween products⁽⁸⁾	<u>40.3</u>	<u>7.5%</u>	<u>45.3</u>	<u>8.2%</u>	<u>44.9</u>	<u>7.5%</u>
Total	<u><u>533.9</u></u>	<u><u>100.0%</u></u>	<u><u>554.5</u></u>	<u><u>100.0%</u></u>	<u><u>595.7</u></u>	<u><u>100.0%</u></u>

Notes:

- (1) Our revenue from wigs, hair accessories and others has been further analysed by origin of users.
- (2) Principally for consumers with style demands suitable for the United States and European markets. As customers of African descent in the United States and Europe have higher purchasing power than their counterparts in Africa and purchase hair goods of similar style, raw material and quality, our revenue from customers of African descent in the United States and Europe are grouped together as one sub-segment whereas our revenue from native African customers is grouped under another sub-segment.
- (3) Principally for consumers with style demands suitable for the African continent.
- (4) Principally for the United States and European markets.
- (5) Principally for products sold under our own brands in Asia, including e-commerce brands, but excluding our products sold under the “EXT Bands” and “La Buosse” brands, which are included in our high-end human hair extensions product segment.
- (6) Includes wigs and accessories for the Asian market and male toupees, as well as trading of hair as part of inventory management.
- (7) Products produced under the licencing agreement with our Strategic Partner, including our own branded products “EXT Bands” and “La Buosse”.
- (8) Principally party wigs, hairpieces and costumes.

Our products fall into the following product segments:

- *Wigs, hair accessories and others* – this product segment principally consists of a wide range of wigs and other hair accessories sold primarily to customers in the United States and Europe, where there is a large market for these products among women of African descent. Wigs include full wigs, half wigs, lace wigs and hairpieces such as drawstrings. Hair accessories include buns, general braids, special braids and weavings. Others include toupees as well as hair trading for the purposes of inventory management. This product segment accounted for revenue of HK\$392.9 million, HK\$378.5 million and HK\$409.3 million for the years ended 31 December 2014, 2015 and 2016, respectively.

BUSINESS

- *High-end human hair extensions* – this product segment consists of high-end human hair extensions sold to hair salons across North America, Europe and Asia. Our high-end human hair extensions are generally sold to wholesalers which, in turn, sell them under their own brands or brands that they are licensed to use, through their own sales channels to various retailers in the United States, Europe and other countries. We also sell our high-end human hair extensions under our own brands to hair salons in Asia where hairstylists apply the products to end-users. The products sold in this product segment carry a higher profit margin compared to our other product segments. See “Financial Information – Result of Operations – Principal Components of Our Consolidated Statement of Profit and Loss – Gross Profit and Gross Profit Margin” for more information.
- *Halloween products* – this product segment consists of wigs, hairpieces and costumes designed for parties and festivals. Sales of products in this product segment are predominantly driven by the Halloween season and are characterised by predictable seasonal demand and relatively longer shelf life.

The table below sets forth the price ranges of our hair goods by product segment during the Track Record Period.

Product segment	Price range⁽¹⁾
Wigs, hair accessories and others	US\$0.26 to US\$250
High-end human hair extensions.	US\$45 to US\$170
Halloween products	US\$1 to US\$65

Note:

(1) Based on the price we sell to our customers.

SALES AND MARKETING

We maintain significant long-term business relationships with most of our key customers. As at 31 December 2016, our sales and marketing team consisted of 28 employees in Hong Kong, 27 employees in China, 31 employees in Bangladesh, two employees in Japan and one employee in the United States. We work closely with our customers for purchase orders and any instruction on changes in product specifications or product mix. We routinely receive market intelligence from our customers for new products. Our customers inform us of the latest market trends and developments at regular industry trade shows or in separate meetings with us. We also conduct market research by reviewing fashion trends through hair shows, online sources, magazines, movies and pop-culture events. We seek to increase existing customer sales or gain new customers from time to time as a result of competitive advantages achieved through pricing, quality, timely delivery and scalable production capacity.

Sales Offices and Display Centres

Our sales department is located in our headquarters in Hong Kong. We have also established sales offices in Japan and in Guangzhou, Shenzhen and Shanghai, China which are responsible for liaising with our customers.

We have a display centre in Nantou, Shenzhen, where we have designers stationed. Our display centre displays our products and provides samples for our product design, research and development team.

We also intend to set up sales offices in South Korea and Thailand by the end of 2017.

DESIGN, RESEARCH AND DEVELOPMENT

Product Design, Research and Development

Our product design, research and development team consisted of 110 employees in China and 140 in Bangladesh as at 31 December 2016. Each year our product design, research and development team produces approximately 7,800 new product designs, styles and colours as product offerings to customers. Based on the market intelligence we gather, we may revisit our product design for existing products or develop new products.

Manufacturing Development

In order to improve our production efficiency, we adjust and reconfigure our production processes from time to time to tailor our production to the latest production demands for various products in order to maximise our production output. Our manufacturing development team focuses on reconfiguring our production processes based on the purchase orders received. As at 31 December 2016, our manufacturing development team consisted of three employees in China and 29 employees in Bangladesh. We expect to enhance our ability to reconfigure our production processes to suit production demands as we expand our scale of operations.

PRODUCTION

Production Facilities

We have a human hair processing centre in Yuzhou, Henan. Yuzhou is one of the major human hair collection, processing and distribution centres in China.

We have two production bases, our China Production Base and our Bangladesh Production Base. Our China Production Base includes our production centre located in Kunming, Yunnan. It was established in 1995 and we considered it our principal production base until 2013. We also have a research and display centre and sales office in Nantou, Shenzhen, where our designers are stationed. Our Nantou research and display centre also houses a small production line.

Our principal manufacturing capacity is housed in our Bangladesh Production Base. Our Bangladesh Production Base consists of our UEPZ Production Centre, which is located within the UEPZ, and our GT Production Centre, which comprises six nearby facilities located outside of the UEPZ. As at 31 December 2016, in Bangladesh, we had a total of 30 production lines, of which 19 production lines were dedicated to the production processes from raw material cutting to packing and 11 production lines were based on specific activities. We are able to redesign and reconfigure these production lines throughout the financial year based on the purchase orders received and changes in production planning.

As at 31 December 2016, our China Production Base occupied approximately 113,163 sq.m. of land with a total GFA of 54,091 sq.m., and our Bangladesh Production Base occupied approximately 58,000 sq.m. of land with a total GFA of 65,699 sq.m.

Our Bangladesh Production Base is located in areas of higher elevation which are distant from major rivers and other sources that may cause floods. During the Track Record Period, the areas where we are conducting our production did not suffer from any floods. In addition, the Nilphamari area, where our Bangladesh Production Base is located, is one of the areas least affected by floods, in terms of percentage of affected population, in the north-western region of Bangladesh.

BUSINESS

During the Track Record Period, we transitioned our principal production base from China to Bangladesh. The following table indicates the revenue generated from our China Production Base, which continued to decrease during the Track Record Period. In contrast, as the production capacity from our Bangladesh Production Base continued to increase, our revenue source from hair goods made at our Bangladesh Production Base also continued to increase during the same period.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Revenue by production base			
China ⁽¹⁾	245.1	172.0	107.7
Bangladesh	288.8	382.5	488.0
Total	533.9	554.5	595.7

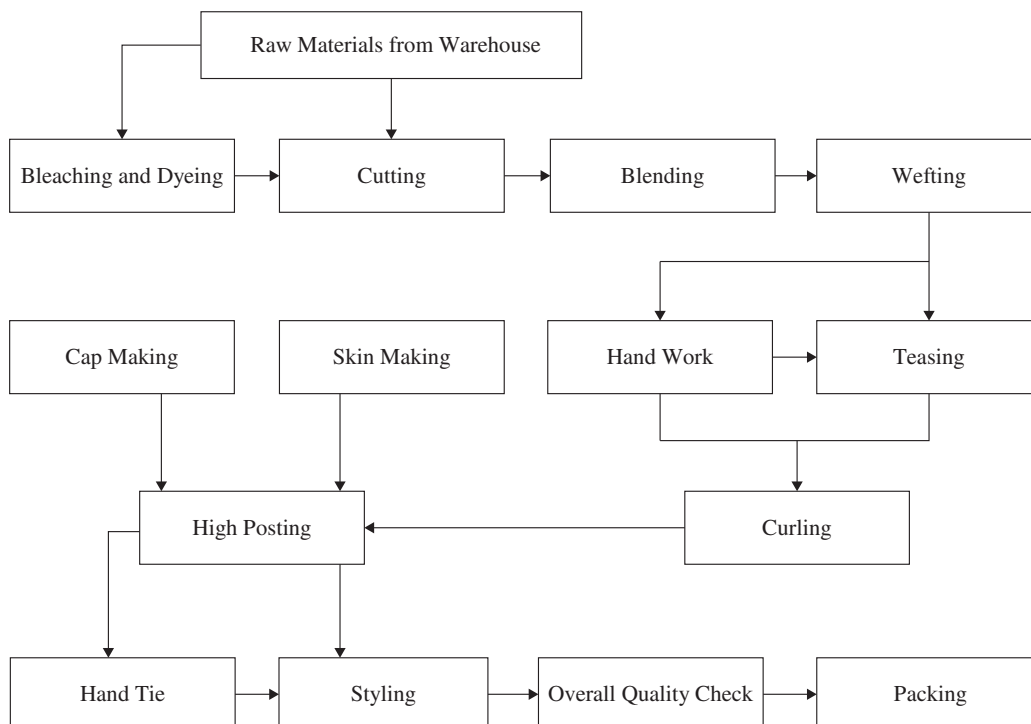
Note:

(1) Includes other income in the amount of HK\$0.1 million for the year ended 31 December 2016.

Production Process

We have the ability to produce virtually any commercial hair goods designs that use human hair, synthetic fibres or a mixture of both. As our product portfolio spans a wide range of finished products from full wigs to half wigs and various hair accessories, our manufacturing processes may be adjusted depending on our targeted product mix of the finished products.

The following flowchart sets forth an overview of our overall production process.



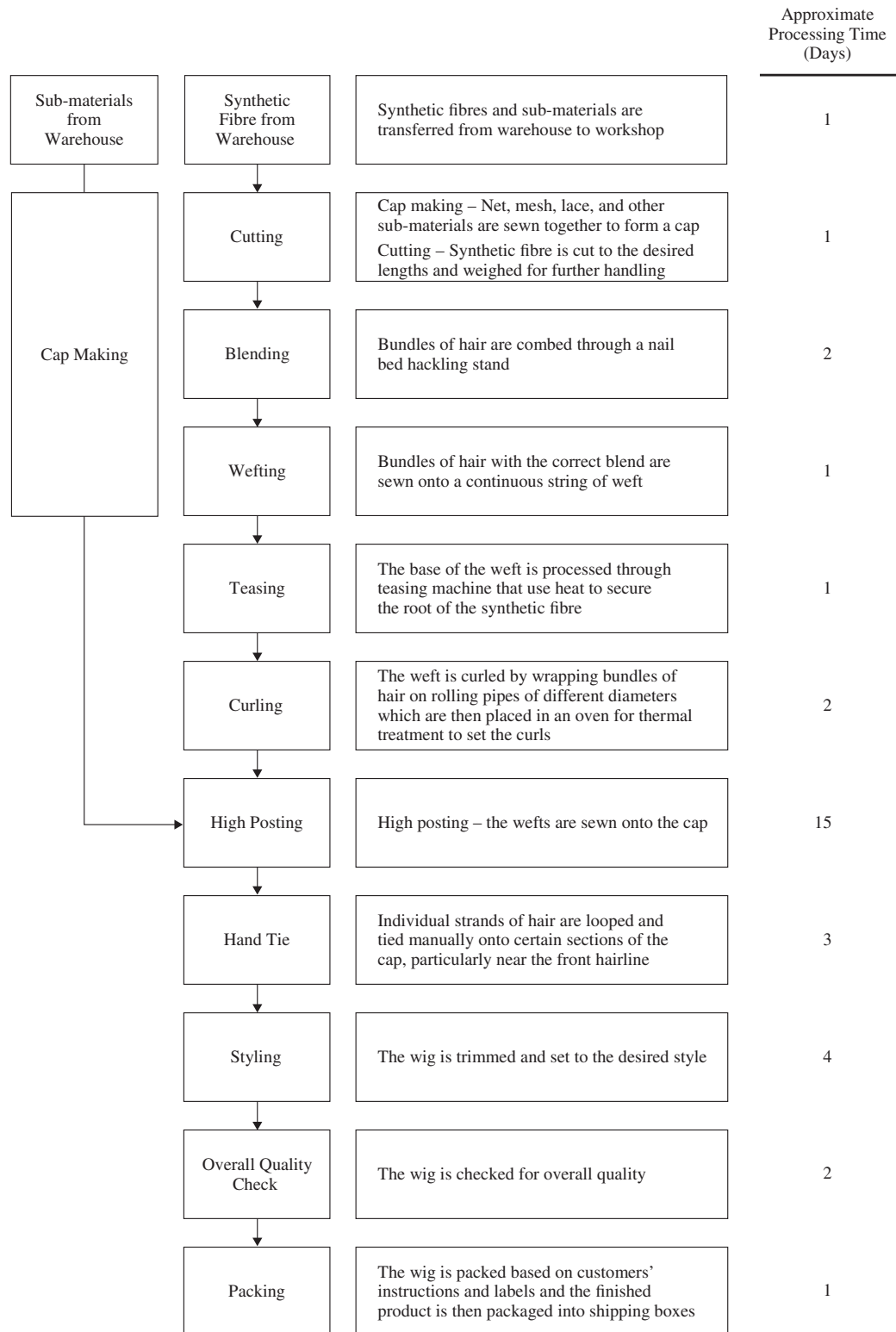
BUSINESS

- Raw Materials from Warehouse – we transfer raw materials from our warehouses to our workshops and further check the quality of raw materials.
- Bleaching and Dyeing – we clean, bleach and dye human hair and certain specialty synthetic fibres to the desired colours.
- Cutting – the hair and/or fibre is cut to the desired lengths and weighed for further handling.
- Blending – we blend hair of slightly different shades to give it a more natural look. We may also blend hair of strong contrasting colour to give it highlights. Bundles of hair are combed through a nail bed hackling stand to ensure that each strand of hair is separated from another before further processing.
- Wefting – bundles of hair with the correct blend are sewn onto a continuous string of weft. In the high posting section, the weft is then sewn onto a net or mesh foundation which comprises the cap of the wig.
- Hand Work – we wrap bundles of hair on rolling pipes of different diameters in order to set certain texture to the hair.
- Teasing – we process the base of the weft manually or through teasing machines that use heat to secure the root of the hair so that the wig fibre can be combed in different directions and to enable the hair to have a more natural movement and volume.
- Curling – we curl the weft by wrapping bundles of hair on rolling pipes of different diameters to give them the desired degree of curliness. The rolling pipes with the hair wrap around them will then be placed in an oven for thermal treatment to set the curls.
- Skin Making – a modified double needles rooting machine is used to plant hair onto the synthetic skin which comprises the base foundation of the cap to provide a more natural looking scalp.
- Cap Making – we combine net, mesh, lace, synthetic skin and other materials to form a cap which forms the foundation of a wig.
- High Posting – the wefts are sewn onto the cap.
- Hand Tie – individual strands of hair are looped and tied manually onto certain sections of the cap, particularly near the front hairline.
- Styling – we trim the hair goods and set them to the desired style.
- Overall Quality Check – we check the overall quality of our products.
- Packing – we package the hair goods based on customers' instructions and labels. The finished products are then packaged into shipping boxes.

BUSINESS

Production Process of “Wigs, Hair Accessories and Others” Products

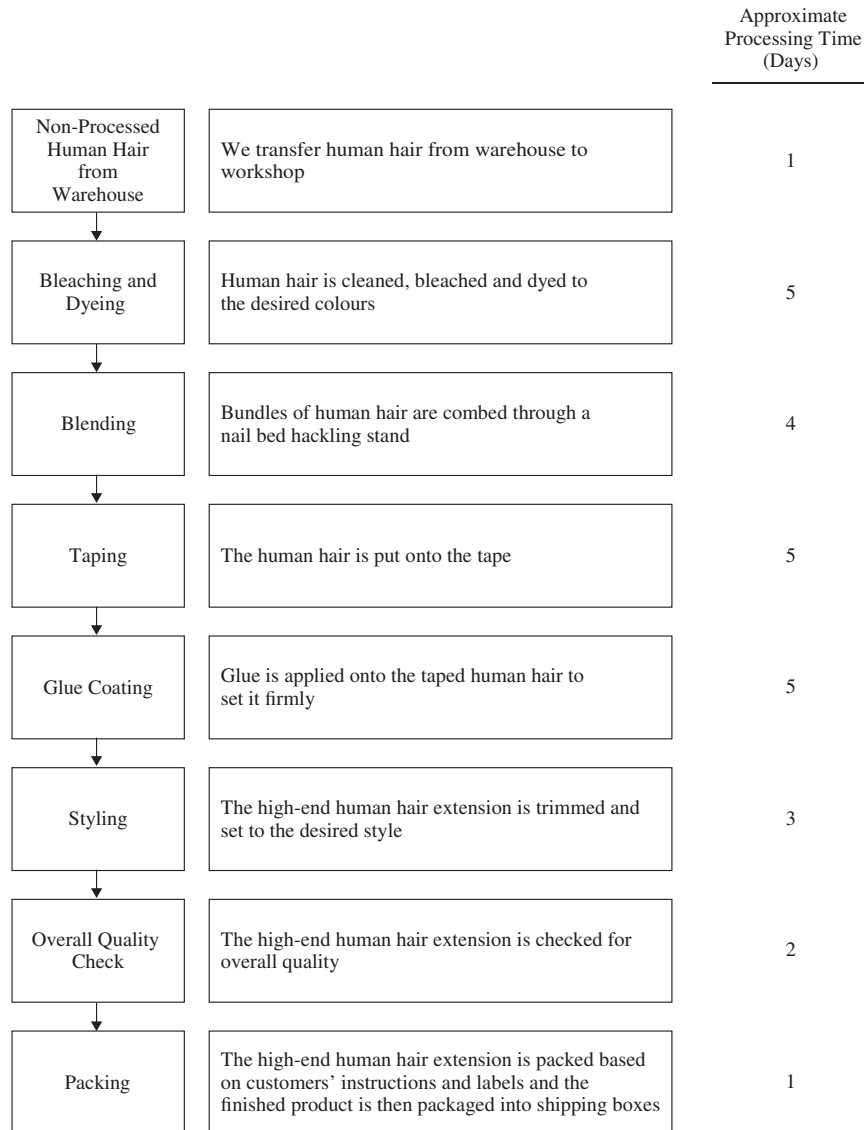
The following flowchart sets forth the production process of a synthetic fibre wig in our “African descent – United States and Europe” product segment.



BUSINESS

Production Process of “High-End Human Hair Extensions” Products

The following flowchart sets forth the production process of an 18-inch 100% high-end human hair extension in our “High-end Human Hair Extensions” product segment.

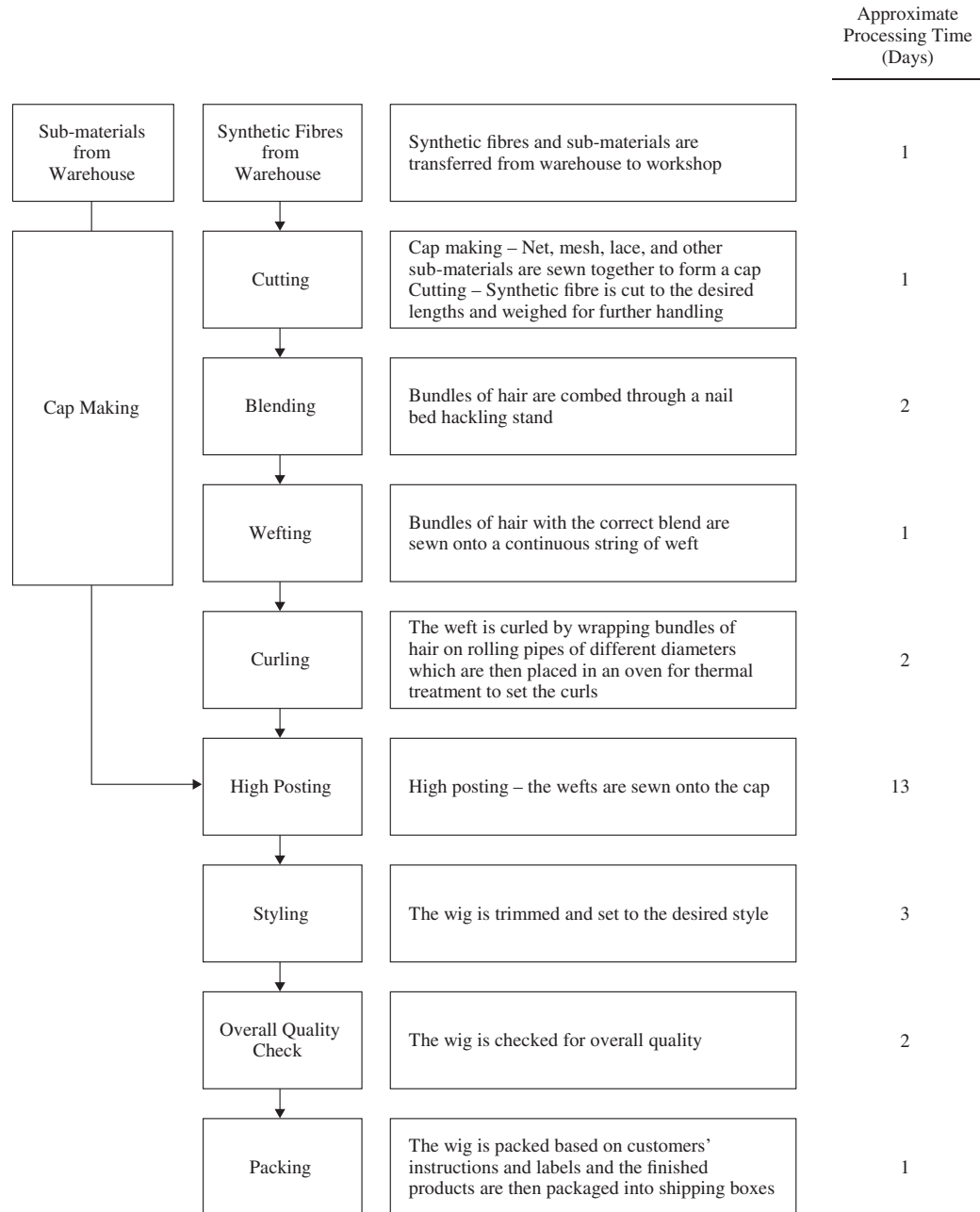


26

BUSINESS

Production Process of “Halloween” Products

The following flowchart sets forth the production process of a wig in our “Halloween” product segment.



Production Capacity and Utilisation Rate

Production processes vary from product to product. We carry a broad range of hair goods, many of which do not require the full run of our production process such as for a full wig. Some products, such as a full wig, involve each aspect of the production process described under “– Production Process” above. Most of our products do not involve all the aspects of our production capabilities and can be processed on different production lines interchangeably. We determine our estimated maximum production capacity for a given year based on (i) the assumption that each production employee at our Bangladesh Production Base works 2,912 hours per year (calculated on the basis of 52 weeks per year and 48 hours per week with an additional eight hours of overtime per week) and that each production employee at our China Production Base works 2,720 hours per year (calculated on the basis of 52 weeks per year and 44 hours per week with an additional 36 hours of overtime per month), and (ii) the estimated average production time per unit of products for the year. In Bangladesh, our production employees maintain a standard work day of eight working hours a day, or approximately 48 hours a week. We are permitted under Bangladesh laws to increase the work week to a maximum of 60 hours per week, so long as the overtime wage that is double the amount of normal wage is paid for working hours per week in excess of 48 hours. In China, our production employees work on average approximately 44 hours a week, or 176 hours a month. We are permitted under PRC laws to increase the work month by 36 hours per month, so long as an overtime wage is paid for the working hours beyond the standard working hours in accordance with the relevant law and regulations in the PRC.

The following table sets forth the production capacity and utilisation rates of our China Production Base and Bangladesh Production Base during the Track Record Period.

BUSINESS

For the year ended 31 December

	2014		2015		2016	
	China	Bangladesh	China	Bangladesh	China	Bangladesh
	Production Base	Production Base	Production Base	Production Base	Production Base	Production Base
Estimated average production time per unit (in minutes)⁽¹⁾						
Wigs, hair accessories and others	20.51	37.32	27.45	73.66	29.34	79.24
High-end human hair extensions	74.23	122.11	71.02	166.40	89.84	187.15
Halloween products	11.20	68.30	56.92	91.37	20.73	96.99
Estimated maximum production capacity (in units)⁽²⁾						
Wigs, hair accessories and others	4,688,224	25,099,430	2,373,066	19,263,295	1,894,778	23,211,207
High-end human hair extensions	447,075	7,488	359,864	235,094	204,885	442,873
Halloween products	433,605	2,301,978	6,452	2,433,167	15,748	2,217,109
Total	5,568,904	27,408,896	2,739,382	21,931,556	2,115,411	25,871,189
Actual production (in units)						
Wigs, hair accessories and others	4,096,008	23,253,070	2,085,388	18,422,580	1,749,109	21,873,725
High-end human hair extensions	394,341	5,994	319,634	215,768	191,593	410,052
Halloween products	384,565	2,139,061	5,718	2,388,859	14,961	2,069,973
Total	4,874,914	25,398,125	2,410,740	21,027,207	1,955,663	24,353,750
Utilisation rate⁽³⁾						
Wigs, hair accessories and others	87.4%	92.6%	87.9%	95.6%	92.3%	94.2%
High-end human hair extensions	88.2%	80.0%	88.8%	91.8%	93.5%	92.6%
Halloween products	88.7%	92.9%	88.6%	98.2%	95.0%	93.4%
Overall	88.1%	88.5%	88.4%	95.2%	93.6%	93.4%

Notes:

- (1) The estimated average production time per unit of products for a given product segment during the relevant year is calculated by dividing (i) the total actual production time for the production of products for a given product segment during the relevant year by (ii) the actual number of units of products produced for a given product segment during the relevant year.
- (2) The estimated maximum production capacity (in units) for a given product segment during the relevant year is calculated by dividing (i) the estimated maximum labour hour for the production of products for a given product segment during the relevant year by (ii) the estimated average production time per unit of products for a given product segment during the relevant year. The estimated maximum labour hour for the production of products for a given product segment for a given year is calculated based on the assumption that each production employee at our Bangladesh Production Base works 2,912 hours per year (calculated on the basis of 52 weeks per year and 48 hours per week with an additional eight hours of overtime per week) and that each production employee at our China Production Base works 2,720 hours per year (calculated on the basis of 52 weeks per year and 44 hours per week with an additional 36 hours of overtime per month).
- (3) Utilisation rate is calculated by dividing (i) actual production of units by (ii) the estimated maximum production capacity (in units) for the year.

Subcontracting

During the Track Record Period, we subcontracted a part of the production of our hair goods to independent third parties in Kunming in order to meet our production schedule when we were transitioning our production to Bangladesh. Since 1 July 2016, we have not engaged any subcontractors for our production, as we have ramped up our Bangladesh Production Base. The subcontracting fees we paid to subcontractors constituted 0.9%, 2.3% and 0.7% of our cost of sales during the years ended 31 December 2014, 2015 and 2016, respectively.

Major Equipment and Maintenance

Major production machinery and equipment used at our production bases include fibre processing machines, ovens and sewing machines, all of which are available from multiple suppliers. We own all of our production machinery and equipment. We regularly monitor our machinery and equipment with the aim of maximising production efficiency. The average expected useful life and replacement cycle of our fibre processing machines, ovens and sewing machines is 10 years.

To operate our production lines at an optimal level, from time to time we may take our machinery and equipment offline for routine maintenance and repairs. For the years ended 31 December 2014, 2015 and 2016, our repair and maintenance costs were HK\$1.4 million, HK\$0.7 million and HK\$0.5 million, respectively. During the Track Record Period, we did not experience any material damage or prolonged suspension of production due to any material accident or production facility or equipment failure.

OUR OPERATIONS IN BANGLADESH

Production Expansion Plans

We initially set up our production facilities in China. We then began to transfer our production to Bangladesh in 2010. Before choosing Bangladesh as the location to expand our production, we conducted due diligence exercises and research on countries including Bangladesh, Indonesia, Vietnam, Cambodia, Laos and Myanmar. In reaching this important decision, we took into account all relevant factors in a holistic manner, including but not limited to costs, availability of labour force, political stability, laws and regulations, government support, risk and control, infrastructure and utilities, culture and economy. We made a conscious decision after considering all of the above factors based on our substantial experience in the hair goods industry.

We started our production in Bangladesh in early 2010. At the very beginning, we rented factory buildings inside UEPZ for our production. Meanwhile, we started the construction of UEPZ Phase I Facility which consists of 8 plots of land leased from the BEPZA and 5 buildings with a total production area of 30,175 square metres. The construction of the UEPZ Phase I Facility was completed in early 2013. The UEPZ Phase II Facility consists of 7 plots of land leased from the BEPZA and 2 buildings with a total production area of 31,755 square metres. The construction of the UEPZ Phase II Facility was completed in late 2015. In January 2017, we completed the UEPZ Phase III Facility. The UEPZ Phase III Facility is located at the same plots of land with the UEPZ Phase II Facility and can provide a total production area of 26,238 square metres.

In order to meet the expected increase in demand for our products and to capture business opportunities arising from the growth in the hair goods industry, we intend to expand our production capacity and the scope of our operations in Bangladesh to include human hair sourcing, bleaching and dyeing, printing and package cartoning.

BUSINESS

We plan to complete the construction of four new production facilities in Bangladesh by the end of 2019. Our GT Hand Tie Facility is currently under construction, and we plan to commence construction on three other facilities, namely our Bleaching and Dyeing Complex, UEPZ Printing Facility and UEPZ Carton Facility, by the end of 2017.

Our total funding requirement for the construction and completion of these production facilities is expected to be approximately HK\$193.0 million. Our source of funding will come principally from (i) the proceeds from the Global Offering, (ii) cash from operating activities and (iii) external funding sources.

The following table sets forth information relating to our new facilities:

No.	Production facilities and location	Function	Expected year of completion
1)	GT Hand Tie Facility, Nilphamari, Bangladesh (outside of the UEPZ)	Hand Tie Production	2017
2)	Bleaching and Dyeing Complex, Dinajpur, Bangladesh (outside of the UEPZ)	Bleaching and Dyeing	Phase 1: 2018 Phase 2: 2019
3)	UEPZ Printing Facility, UEPZ	Printing	2019
4)	UEPZ Carton Facility, UEPZ	Carton Manufacturing	2019

We have formulated our expansion plans based on a number of considerations, including the expected strong growth of demand for human hair goods in the United States among our target consumers as well as for all of our other hair goods in our product segments.

We plan to establish our UEPZ Printing Facility and UEPZ Carton Facility in the UEPZ as an expansion of our current UEPZ Production Centre. Each production facility will engage principally in printing or package cartoning. We are constructing our GT Hand Tie Facility, and we expect to commence construction of our Bleaching and Dyeing Complex outside the UEPZ by the end of 2017. Our GT Hand Tie Facility will engage principally in hand tie production, and our Bleaching and Dyeing Complex which will engage principally in bleaching and dyeing. Establishing facilities inside the UEPZ would allow us to enjoy benefits such as tax incentives and more developed infrastructure. On the other hand, establishing facilities outside the UEPZ would allow us to own our land and facilities and to take advantage of a larger labour pool. The GT Hand Tie Facility and Bleaching and Dyeing Complex are 11 kilometres and 14 kilometres away from the UEPZ, respectively. In choosing where to locate our four new production facilities, we have considered several factors, including cost of operations, capital controls, tax incentives offered by Bangladesh government, infrastructure, security and ownership of land and buildings as compared to leasing. We believe that the location of our current facilities and the facilities under construction will optimise the efficiency and stability of our operations.

With the addition of the new facilities in Bangladesh, we believe that we will be able to meet additional product demand from our existing customers, shorten our production lead time and improve our production efficiency through both consolidation of our raw material processing and hair goods production functions in Bangladesh and an increase in our production capacity. We also anticipate that the continued expansion of our product portfolio and customer base will lead to an increase in demand of our designed production capacity of our products and increase our market share in the relevant markets. See “– Our Business Strategies”.

Construction of Dormitory Buildings

When we first established the Bangladesh Production Base, there were no accommodation facilities of acceptable standards in the UEPZ for foreign investors. As such, we approached the BEPZA with a proposal to build a rest house and dormitory for our visiting foreign investors. In April 2013, the BEPZA authority, as the lessor, entered into a land lease agreement with Evergreen Factory (BD) and three other foreign companies, as lessees, pursuant to which the BEPZA leased a land of 6,070.28 square metres to the four lessees in equal shares for 35 years at the rental price of US\$1.25 (approximately HK\$9.73) per square metre per annum payable quarterly in advance with a 15% escalation every three years, and the lessees were permitted to build structures relating to residential accommodation on the leased land. The accumulated rent paid by us for the lease of the land during the Track Record Period is approximately HK\$55,000 and is recognised as our administrative expenses.

We have maintained an in-house construction team and construction machinery for the purpose of constructing the Bangladesh Production Base. Considering our building capabilities and experience as compared to the other lessees, we agreed to construct the relevant dormitory buildings for ourselves and other lessees on the said land. As agreed between the other lessees and us, each lessee shall be responsible for the construction costs of its own dormitory buildings, and we did not charge the other lessees for the construction work. As advised by our Bangladesh Legal Advisers, the said dormitory buildings are being constructed with due permissions and licences from all relevant authorities. Specifically, the structural plan for the dormitory buildings was approved by the BEPZA, and the dormitory buildings were constructed in compliance with the rules under the Bangladesh National Building Code 1993, Uniform Building Code 1997 and American Code Provisions ACI318-98. As further advised by our Bangladesh Legal Advisers, no specific licences are required to be obtained or possessed by us for the purpose of constructing the dormitory buildings. The accumulated cost for the construction of our own dormitory buildings during the Track Record Period was approximately HK\$6.2 million and was recognised as construction in progress in property, plant and equipment. The construction of the dormitory buildings was completed in January 2017.

Safety Measures for Constructing Our Bangladesh Production Plants and Dormitory Buildings

We adopted the following safety measures when constructing our production plants and dormitory buildings (including fire safety) in Bangladesh:

- (a) we have formulated procedures and criteria on the selection of contractors for construction of our production plants and dormitory buildings;
- (b) we have adopted Bangladesh National Building Code when designing and constructing our production plants and dormitory buildings, which covers, including but not limited to, planning administration and enforcement, general building controls and regulations, requirements for different uses, fire protection, building materials, design and services and construction practices;
- (c) we have maintained an in-house construction team, including construction engineers, to supervise and ensure that all structural and architectural designs of our production plants and dormitory buildings in Bangladesh were made and all such production plants and dormitory buildings were constructed in compliance with Bangladesh National Building Code;

BUSINESS

- (d) we have engaged an independent structural engineer to design our production plants and dormitory structure, and he confirmed to us that the structural design of our production plants and dormitory buildings complies with (i) the Bangladesh National Building Code, (ii) ACI 318 Building Code Requirements for Structural Concrete issued by the American Concrete Institute, one of the international codes setting out, among others, structure requirements of concrete buildings, and (iii) the Uniform Building Code, which are building codes commonly applied in the United States;
- (e) we have engaged the President of Institute of Engineers in Bangladesh, an independent third party, to conduct physical inspection of our production plants, and he confirmed to us that our production plants are safe and adequate for their present use; and
- (f) we have obtained fire certificates for our production plants, and conduct fire safety audit annually.

In addition, we have not had any incident causing any bodily injury to any person in constructing production plants during the Track Record Period and up to the Latest Practicable Date.

Product Safety Measures in Bangladesh

We adopted the following measures in our Bangladesh Production Base to ensure product safety:

- (a) we purchase raw materials only from suppliers that have passed our quality and reliability assessment, and evaluate our suppliers annually based on a range of factors, including but not limited to raw material quality, pricing and the ability to meet our delivery timeline;
- (b) we request our suppliers to provide raw material test reports prepared by international recognised testing centres on compliance with international standards, such as European standard EN 71 and Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, if necessary;
- (c) as wholesalers and retailers of hair goods products, our customers may be required to comply with certain product quality standards in the jurisdictions where they sell products manufactured by us, and such customers may impose specific requirements on us, such as the choice and quality of materials to ensure compliance with these standards; and
- (d) based on our customers' requirements, we may be required to obtain product testing and certifications for the jurisdictions in which our products are sold, including but not limited to the test for levels of certain chemicals (such as lead, arsenic, phthalate and other heavy metals) and flammability test, under various international standards, such as the Consumer Product Safety Improvement Act and U.S. Code of Federal Regulations Title 16 Part 1610 Flammability of clothing textiles.

BUSINESS

To the knowledge of our Directors, no claim or complaint has been made against our Group for any product safety issues during the Track Record Period and up to the Latest Practicable Date. After considering the above, our Directors believe that our products are able to meet the relevant product quality standards of the markets where our products are sold in.

Bangladesh Employees

General Information of Our Bangladesh Employees

Set forth below is a breakdown of our employees in Bangladesh by age and gender as at 31 December 2016:

<u>Age group</u>	<u>Number of employees</u>	<u>Number of female employees</u>	<u>Number of male employees</u>
18-20	1,759	1,621	138
21-25	6,949	5,743	1,206
26-30	3,341	2,140	1,201
31 or above	869	297	572
Total	<u>12,918</u>	<u>9,801</u>	<u>3,117</u>

Work Stoppages in Bangladesh

As at the Latest Practicable Date, we did not have any labour union. During the Track Record Period, we experienced work stoppages at our Bangladesh Production Base on two occasions in November 2013 and June 2014, respectively, due to labour protests demanding, among other things, reductions in workload and better benefits. Each labour protest resulted work stoppage of four days. There were 1,210 and 1,008 workers involved in the work stoppages in 2013 and 2014, respectively, which represented approximately 22.5% and 15.5% of our total number of workers in Bangladesh at the respective time of the work stoppages. Other than as described above, we have not experienced any significant difficulty in recruiting employees nor have we had any significant labour disputes during the Track Record Period.

Upon the occurrence of each work stoppage, our management listened to the concerns of our workers, investigated and addressed their grievances and, together with our local team, sought to resolve any issues in a timely manner. During the work stoppages, our workers demanded, among other things, adjustments in production targets and/or remuneration. After the negotiation with our workers, we agreed to reduce their production targets and to offer bonuses in the event that they could exceed their production targets. The workers were satisfied with such proposal and returned to work. A total of 82 workers (representing approximately 1% of the total employees in the Bangladesh Production Base at the time) were dismissed in June 2014 after considering their violation of our internal policies, including but not limited to unauthorised stoppage of work, disruption of an orderly workplace, obstruction of production and unauthorised denial of access to our premise, as well as their failure to meet the production targets in the past in our Bangladesh factories. Our Bangladesh Legal Advisers advised that the dismissals comply with the relevant employment contracts and Bangladesh Labour Laws. None of our workers were dismissed in the labour strike in November 2013. During the years ended 31 December 2014, 2015 and 2016, the bonus paid to our workers in Bangladesh in relation to performance exceeding production target amounted to HK\$57,101, HK\$64,686 and HK\$56,515, respectively. There was no material interruption to our production schedule caused by these two work stoppages as we were able to meet our production schedule through overtime work subsequent to the events. It is estimated that the additional salary paid for the overtime work to make up for the lost labour hours caused by work stoppages in 2013 and 2014

was approximately HK\$138,000 and HK\$157,000, respectively. Except for the above, we did not incur any additional cost or suffer any other financial loss from the work stoppages.

To prevent future recurrence of work stoppages, we have implemented procedures since June 2014 by which we consult our workers if we plan to make any changes to our policies or adopt new policies. We have established internal procedures for handling work stoppage incidents and internal procedures for receiving and following up on complaints from our workers since June 2014. In addition, upon the recommendation from our IC Consultant, we have established hotlines in dealing with our workers' concerns and queries since July 2016. Due to the implementation of consultation sessions and new internal procedures, we have not experienced any work stoppage since July 2014 up to the Latest Practicable Date. After discussions with the IC Consultant, our Directors understand that during the follow-up review conducted by the IC Consultant, the IC Consultant is not aware of any deficiencies on our internal complaint handling procedures. As we have properly implemented the enhanced internal control measures recommended by the IC Consultant, our Directors are of the view that the enhanced internal control measures are adequate and effective for our operations. The Sole Sponsor concurs with the view of our IC Consultant and considers the procedures to be sufficient and effective on the basis that (i) the internal procedures comply with the applicable labour law and (ii) no similar work stoppage incident has occurred since the implementation of the relevant policies.

Compliance with Bangladesh Labour Laws

A draft of Bangladesh EPZ Labour Act, 2016 (the “**Draft Law**”) was approved in the Ministerial Cabinet on 15 February 2016 but has yet to be enacted by the parliament. The Draft Law provides a number of benefits to workers, including termination benefits, a provident fund, a group insurance scheme, maternity benefits, death benefits, a festival bonus, earned leave encashment options and other facilities. See “Regulatory Overview – Bangladesh Regulatory Overview – Relevant Laws and Regulations on Employment Matters” for details. As advised by our Bangladesh Legal Advisers, (i) while the Draft Law is not as extensive as the Bangladesh Labour Act, the provisions of the Draft Law have been framed substantially in line with the Bangladesh Labour (amendment) Act, 2013; and (ii) we have complied with the Bangladesh Labour Laws with respect to our operations in Bangladesh. Therefore, we expect that the enactment of the Draft Law will not have any material adverse impact on our operations.

Health and Safety Measures Adopted for Our Bangladesh Employees

We adopted the following health and safety measures, among others, for our Bangladesh employees:

- (a) we have implemented production safety manuals for different production processes and standardised the operating procedures to ensure health and safety of our Bangladesh employees;
- (b) we provide on-the-job training to our employees on work safety;
- (c) our factories, warehouses and storage tanks are equipped with fire protection systems and equipment; and
- (d) our human resource department oversees the implementation of the health and safety measures at our production plants and ensures safe working environment and site tidiness.

BUSINESS

We have not received any claim or complaint from our employees or customers in respect of health and safety related issues or non-compliance to date. In addition, our Bangladesh Legal Advisers are of the view that we have complied with the Bangladesh Labour Laws during the Track Record Period and up to the Latest Practicable Date. Bangladesh has been a member of the International Labour Organisation since 1972, and has ratified a number of conventions issued by the International Labour Organisation, in particular the Convention concerning Labour Inspection in Industry and Commerce. According to such convention, Bangladesh shall maintain a system of labour inspection in industrial workplaces to secure the enforcement of the legal provisions relating to conditions of work and the protection of workers, such as provisions relating to health and safety related matters.

Having considered the above, our Directors believe that our health and safety measures in Bangladesh are adequate and consistent with the prevailing laws and common industry practice.

Insurance Maintained for Our Bangladesh Operations

In Bangladesh, we have purchased insurance policies covering us against (i) the risk of loss or damage to our properties (including factory building, furniture and fitting, machinery and equipment, office equipment, loose tools and inventory) caused by accident; and (ii) claims of bodily injury sustained by our workers and employees in Bangladesh and caused by accident. If we are claimed for bodily injury accidentally suffered by our employees and workers in our production plants or during construction of our production plants or we accidentally suffer from certain loss or damage to our properties in our production plants and offices, we will be compensated under our insurance. In addition, we have purchased a worldwide product liability insurance policy against claims of bodily injury and/or property damage caused by our products and such insurance also covers our products manufactured in Bangladesh. Our Directors believe that the insurances maintained for our business operations in Bangladesh are sufficient, adequate and consistent with the common industry practice.

Backup Relocation Plan for Our Bangladesh Production Base

As at the Latest Practicable Date, we had two production centres in Bangladesh, which accounted for approximately 81.9% of our total revenue for the year ended 31 December 2016. Although we consider the possibility of any disruption causing a material adverse effect to our operations remote, we have a backup relocation plan for our Bangladesh Production Base in place in case our operations in Bangladesh are disrupted due to external factors. For details, see “Risk Factors – Risks Relating to Conducting Business in Bangladesh – Political instability in Bangladesh may have an adverse effect on our operations”.

In the unlikely event of prolonged disruption of our operations in Bangladesh, our China Production Base has the capacity to take up a significant proportion of our Bangladesh production by hiring additional employees within a short period of time. We can also engage third-party contractors to fulfil purchase orders as an interim measure while we implement a long-term plan for the establishment of another low cost production base, either through lease or acquisition of production facilities in Indonesia. To minimise the disruption of production of high margin products, such as high-end human hair extensions, we will prioritise the relocation of the production of such products to our China Production Base, where capacity can be ramped up rapidly.

Our revenue derived from our Bangladesh Production Base for the year ended 31 December 2016 amounted to approximately HK\$488.0 million (the “**Bangladesh 2016 Revenue**”). We estimate that our backup relocation plan could help us achieve approximately 70% and 85% of the Bangladesh 2016 Revenue in the first year and the second year, respectively, after the activation of the backup relocation plan. We would expect to achieve revenue equal to the full amount of the Bangladesh 2016 Revenue by the third year after the activation of the backup relocation plan by which time we would have fully ramped up our production base in Indonesia.

BUSINESS

Initial Backup Relocation Plan to China

As at 31 December 2016, we had a total of 809 employees in China, and our China Production Base occupied approximately 113,163 sq.m. of land with a total GFA of 54,091 sq.m., which is estimated to be able to accommodate a maximum number of 10,000 employees. Therefore, our existing China Production Base has sufficient factory space for expansion, and we can easily expand our production capacity there by purchasing additional equipment and recruiting additional employees. As many hair goods manufacturers are located in China (in particular, Kunming, Guangzhou and Henan), there is a large pool of skilled and unskilled workers available there. In the event that we cannot recruit a sufficient number of skilled workers in China, we can train our workers to become skilled workers as we have done at our Bangladesh Production Base. New workers at our factory may begin their career with products that are less skill-intensive, such as handling synthetic fibres for mass-produced Halloween products. As their skills develop, they may be promoted to producing higher-end products that require a higher level of skills, such as our high-end human hair extensions.

In addition, we have established business relationships with hair goods production subcontractors in China, which can assist us in covering any temporary shortfall in production while we train our new workers to become skilled workers. During the Track Record Period, when we were transitioning our production to Bangladesh, we subcontracted part of the production of our hair goods to independent third parties in China in order to meet our production schedule. The subcontracting fees we paid to subcontractors constituted 0.9%, 2.3% and 0.7% of our cost of sales during the years ended 31 December 2014, 2015 and 2016, respectively. Although we have not engaged any subcontractors for our production since 1 July 2016, we still maintain good relationships with our former subcontractors and can engage them for sub-contracting our production with their own workers, facilities and machinery in the future, if needed. In order to meet our production schedule after we activate our backup relocation plan, we entered into the letters of intent with four subcontractors in December 2016, which have their own production facilities, machinery and a total of 6,100 workers working for their production of hair goods. Pursuant to those letters of intent, the subcontractors have agreed to manufacture hair goods for us on a priority basis upon three weeks' prior written notice from us.

We expect that we can start production in China within one month after the activation of our backup relocation plan. To achieve the planned relocation capacity in the first and second year, we estimate that we will need to add a maximum of 6,000 additional workers to our labour force in China through a combination of our own full-time hires and subcontracting certain of our production to subcontractors. As a result of the difference in labour costs between China and Bangladesh and considering that the subcontracting costs are also affected by higher labour costs in China, it is estimated that we may incur additional labour and subcontracting costs in China in the sum of approximately HK\$57 million in the first year after we activate our relocation plan as we begin to employ new workers and engage subcontractors for part of our production, and HK\$62 million in the second year, in order to sustain largely our existing operating scale, respectively. The additional labour and sub-contracting costs are estimated based on the current wage level of our workers in Bangladesh and China, and the expected temporary increase of the size of our labour force in China and the amount of production we will need to subcontract to subcontractors during the initiation phase of our backup relocation plan and before we fully relocate to Indonesia as the destination of our long-term backup relocation plan.

BUSINESS

The following highlights the key steps for implementing our backup relocation plan in China:

Estimated time frame (days)	Key steps
T	<ul style="list-style-type: none"> • Activate the backup relocation plan
T+1 to T+2	<ul style="list-style-type: none"> • Purchase equipment and materials
T+3 to T+25	<ul style="list-style-type: none"> • Transfer equipment and materials from Bangladesh to China • Recruit employees • Engage sub-contractors
T+26 to T+29	<ul style="list-style-type: none"> • Set up facilities and install equipment
T+30	<ul style="list-style-type: none"> • Start production

Long-term Backup Relocation Plan to Indonesia

In Indonesia, we would initially lease factories to ensure continuity of our production, while simultaneously building our own factories for long-term use. We have selected Java as the location for our backup production base in Indonesia. We would build up and finish construction of our Indonesia production base in four phases within one year after the activation of our backup relocation plan. For each of the first three phases, we would lease a factory in Indonesia and commence our production in the said factory. Meanwhile, we would purchase land, construct five single-storey buildings as our long-term production base in Indonesia and commence our production in such factories in the fourth phase. We expect that we could commence our first phase production within three months after the activation of our backup relocation plan. We would expect to hire employees in Indonesia in phases to ensure proper training and work quality, and we would plan to hire 3,000 production employees in the first year and gradually increase to 13,000 production employees in the third year to restore our capacity level of our Bangladesh Production Base in 2016.

The following highlights the key steps which we plan to perform our backup relocation plan in Indonesia:

Phase	Estimated time frame (months)	Key steps
First Phase	T to T+3	<ul style="list-style-type: none"> • Activate the backup relocation plan • Identify relocation site and sign lease agreement for factories and sale and purchase agreement of land • Completion of company registration and obtain necessary approvals for construction • Transfer and purchase equipment • Recruit employees • Renovate the new rental site, set up facilities and install equipment • Engage companies to design and construct our own factories in Indonesia
Second Phase	T+4	<ul style="list-style-type: none"> • Start the first phase of production in a leased factory • Start the second phase of production in a leased factory • Finalise the design and start the construction of our own factories
Third Phase	T+8	<ul style="list-style-type: none"> • Start the third phase of production in a leased factory
Fourth Phase	T+11	<ul style="list-style-type: none"> • Complete the construction of our own factories in Indonesia • Start the fourth phase of production in our own factories

BUSINESS

We expect that our production in Indonesia would be fully ramped up in the third year after the activation of the backup relocation plan.

We could recruit employees for the production bases in China and Indonesia through (i) newspaper advertisements; (ii) recruitment agents; (iii) advertisements posted within local villages and provinces; and (iv) referrals by employees. We have adopted these methods for recruitment in China and Bangladesh for many years and successfully recruited a large number of employees.

We estimate the total costs to relocate our operations in Bangladesh to our China Production Base and a new production base in Indonesia would range from approximately HK\$30 million to approximately HK\$45 million. The breakdown of such estimated relocation costs is as follows:

<u>Cost items</u>	<u>Relocation to China</u>	<u>Relocation to Indonesia</u>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Capital expenditure for new factory buildings	–	19.0 – 29.0
Capital expenditure for additional machinery and tools	–	3.0 – 5.0
Transportation costs	3.2 – 4.4	3.2 – 4.4
Rental costs for land and factories	–	1.2 – 2.2
Miscellaneous	0.1	0.1
Total	<u>3.3 – 4.5</u>	<u>26.4 – 40.7</u>

In the event of such relocation, the costs would be funded from our internal resources or appropriate financing sources. If, in the worst case scenario, we could not transfer any equipment and materials out of Bangladesh, we would need to purchase additional machines, tools and materials, and the estimated cost for these purchases would range from approximately HK\$27.9 million to approximately HK\$46.5 million. In such circumstances, we plan to fund such payment by (i) internal resources; (ii) loan facilities from commercial banks; and/or (iii) the fund to be used for our construction of new factory buildings in relocated locations. If we postponed our construction plans, we would need to manufacture our products in leased factories for a longer period.

Having considered the following factors, our management is of the view that our backup relocation plan to Indonesia is feasible:

- (1) Indonesia is the world's fourth most populous country with a population of over 257 million in 2015. Java is home to over half of the Indonesian population, and establishing our production base in Java can allow us to have access to a large pool of workers.
- (2) Indonesia is the world's 14th largest country in terms of land area and has land area of over 1.9 million square kilometres, which is over 12 times the land area in Bangladesh. We expect that we could easily lease or acquire land and properties in Indonesia.
- (3) We have good relationships with our existing suppliers and will be able to procure sufficient machines, tools and raw materials for our relocation to Indonesia.
- (4) The average wage for manufacturing workers in Indonesia is approximately 2.4 million rupiah (equal to approximately HK\$1,400) per month in the third quarter of 2016, which is less than half of our average wage in China during the same period.

BUSINESS

With an experienced team of senior management and technicians stationed in China and Bangladesh, if we were to relocate our operations in Bangladesh, we believe that we could efficiently leverage our existing China Production Base, establish a production base in Indonesia and restart our operations in a timely manner. Given that the long-term backup relocation plan is to relocate all the existing production capacity in Bangladesh to Indonesia and the backup relocation plan to China is only temporary in nature, it is expected that the temporary increase in the additional labour and sub-contracting costs in China in the transitional period would be minimized upon the full relocation of the existing production capacity in Bangladesh to Indonesia, considering the difference in wages for workers in China (approximately HK\$2,850 per month) and Indonesia and that we will no longer need to engage subcontractors in China by then.

Our Directors believe that the back-up relocation plan could be reasonably implemented considering our experience from establishing the Bangladesh Production Base. Given that we are expected to largely sustain our operation scale during implementation of our back-up relocation plan, our Directors believe that we will be able to continue to maintain our customer relationships and that our operations will not be materially and adversely impacted by the relocation to Indonesia. In the event that the relocation plan to Indonesia has to be initiated in the future, our Directors will continue to closely monitor the market environment and our business and financial conditions to ensure that any material adverse effect on our operations and business will be minimised as a whole.

SUPPLIERS AND RAW MATERIALS

Our raw materials consist principally of synthetic fibres and human hair. During the Track Record Period, we sourced our synthetic fibres primarily from Japan, South Korea and China, and our human hair primarily from China and India. To the knowledge of our Directors, our human hair suppliers mainly source their supply of human hair from human hair agents, temples, villages and individuals.

Our five largest suppliers collectively supplied raw materials comprising 32.5%, 34.0% and 33.7% of our cost of goods sold for the years ended 31 December 2014, 2015 and 2016, respectively. During the same periods, our largest supplier supplied raw materials comprising 22.5%, 24.9% and 23.2% of our cost of goods sold, respectively. During the Track Record Period, we purchased a greater volume from our largest supplier as it produced raw materials with a quality that the market received particularly well. While we have developed stable relationships with our key suppliers over the years, we believe that our raw materials are commodities which can easily be replaced by another supplier with little or no adjustment in specifications. Moreover, such replacement would not materially and adversely affect our production process or product quality.

We purchase almost all of our raw materials directly from our suppliers. In general, we do not enter into any long-term supply agreements. We have agreements with two suppliers for a fixed term of one year, which can be renewed annually. The agreements provide for a fixed pricing schedule as offered by the supplier, and rebates depending on the amounts purchased, and do not require any minimum purchase commitment from us. Sometimes on the request of certain suppliers, we provide semi-annual purchase forecasts to our suppliers and issue purchase orders after evaluating our inventory level and sales orders received. We typically issue purchase orders for human hair sourced from India on an approximately quarterly basis and issue purchase orders for human hair sourced from China as well as synthetic fibres and other raw materials on a monthly basis. We purchase most of our raw materials through letters of credit and other trade financing. Some of our suppliers provide us with credit terms of 30 days. Our suppliers mainly deliver raw materials to us on a free on board (FOB) shipping point basis.

BUSINESS

During the Track Record Period, prices of synthetic fibres experienced only slight fluctuations, while the price of human hair experienced more significant fluctuation of up to approximately 10%. We typically obtain price quotations from a number of human hair suppliers and compare quotations before making a purchase. We did not experience any shortage of raw materials or quality issues with our raw material suppliers during the Track Record Period that materially affected our operations.

None of our Directors, their respective close associates or any Shareholder (whom, to the knowledge of our Directors, owns more than 5% of the issued Shares) had any interest in any of our five largest suppliers, which are independent third parties, during the Track Record Period and up to the Latest Practicable Date.

The following tables set forth certain information of our five largest suppliers during the Track Record Period:

For the Year Ended 31 December 2014

	<u>Business nature and background of the supplier</u>	<u>Major products purchased from the supplier</u>	<u>Number of years of business relationship with us</u>	<u>Credit period and payment method</u>	<u>Percentage of total cost of goods sold</u>
Supplier A	A manufacturer of chemicals, functional plastics, expandable plastics and products and synthetic fibres	Synthetic fibres	18	Letter of credit at sight	22.5%
Supplier B	A manufacturer of synthetic fibres and chemicals	Synthetic fibres	6	Letter of credit at sight	3.0%
Supplier C	A supplier and exporter of human hair	Human hair	3	30 days letter of credit	2.5%
Supplier D	A manufacturer of fabrics, such as cap nets and accessories	Nets and accessories	22	60 days letter of credit	2.4%
Supplier E	A supplier, processor and exporter of human hair	Human hair	7	30 days letter of credit	2.0%

BUSINESS

For the Year Ended 31 December 2015

	<u>Business nature and background of the supplier</u>	<u>Major products purchased from the supplier</u>	<u>Number of years of business relationship with us</u>	<u>Credit period and payment method</u>	<u>Percentage of total cost of goods sold</u>
Supplier A	A manufacturer of chemicals, functional plastics, expandable plastics and products and synthetic fibres	Synthetic fibres	18	Letter of credit at sight	24.9%
Supplier D	A manufacturer of fabrics, such as cap nets and accessories	Nets and accessories	22	60 days letter of credit	2.9%
Supplier F	A supplier and exporter of human hair	Human hair	6	30 days letter of credit	2.2%
Supplier G	A supplier and exporter of human hair	Human hair	26	30 days letter of credit	2.0%
Supplier H	A distributor of paper and paper-related products, film and film-related products, chemical industry products, industrial machines, and building related products	Synthetic fibres	10	Letter of credit at sight	2.0%

For the Year Ended 31 December 2016

	<u>Business nature and background of the supplier</u>	<u>Major products purchased from the supplier</u>	<u>Number of years of business relationship with us</u>	<u>Credit period and payment method</u>	<u>Percentage of total cost of goods sold</u>
Supplier A	A manufacturer of chemicals, functional plastics, expandable plastics and products and synthetic fibres	Synthetic fibres	18	Letter of credit at sight	23.2%
Supplier D	A manufacturer of fabrics, such as cap nets and accessories	Nets and accessories	22	60 days letter of credit	3.5%
Supplier H	A distributor of paper and paper-related products, film and film-related products, chemical, industrial machines, and building related products	Synthetic fibres	10	Letter of credit at sight	2.5%
Supplier C	A supplier and exporter of human hair	Human hair	3	30 days letter of credit	2.3%
Supplier B	A manufacturer of synthetic fibres and chemicals	Synthetic fibres	6	Letter of credit at sight	2.3%

BUSINESS

CUSTOMERS

We sell our products primarily to: (i) wholesalers, (ii) mass retailers for our Halloween products, (iii) hair salons in Asia and (iv) e-commerce customers. Our sales model enables us to enlarge our geographic presence and strengthen our market penetration.

Set forth are details of the geographic coverage and type of customer and/or sales network for each of our product segments.

<u>Product segments</u>	<u>Geographic coverage</u>	<u>Type of customer/ sales network</u>
Wigs, hair accessories and others		
African descent – United States and Europe	America, Europe	Wholesalers
native African.	Africa	Wholesalers
Caucasian	America, Europe	Wholesalers
Self-owned brands.	Asia	Wholesalers
Other products and trading of hair	Asia	Wholesalers and other manufacturers
High-end human hair extensions	America, Europe, Asia	Wholesalers, hair salons in Asia
Halloween products	America, Europe	Wholesalers, mass retailers, e-commerce customers

We sell our products to customers across the United States, Europe, Africa and Asia. Set forth below is a breakdown of sales of our products by country:

<u>Countries</u>	<u>For the year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
		(%)	
USA	66.0	73.9	76.3
United Kingdom	8.6	8.7	6.6
China	9.1	8.5	8.1
Japan	3.7	3.6	5.5
South Africa.	5.9	1.8	1.2
Germany	0.9	1.0	0.6
Russia.	2.2	0.9	0.7
Others.	3.6	1.6	1.0
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

BUSINESS

Our revenue is recognised when our products are delivered and title to our products has passed to our customers. Set forth below is a breakdown of our sales by sales channel, with each item expressed as a percentage of total sales, for the periods indicated.

	For the year ended 31 December					
	2014	2015		2016		
	<i>(HK\$ millions, except percentages)</i>					
Sales channels						
Wholesalers	492.5	92.2%	504.5	91.0%	538.8	90.5%
Mass retailers for our						
Halloween products . . .	13.7	2.6%	16.9	3.0%	19.8	3.3%
Hair salons in Asia	26.5	5.0%	30.8	5.6%	34.0	5.7%
E-commerce customers . .	1.2	0.2%	2.3	0.4%	3.1	0.5%
Grand total	533.9	100.0%	554.5	100.0%	595.7	100.0%

For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers collectively were HK\$232.9 million, HK\$289.7 million and HK\$303.9 million, respectively, and accounted for 43.6%, 52.2% and 51.0%, respectively, of our total revenue for the respective periods. For the same periods, sales to our largest customer accounted for 14.5%, 16.1% and 13.6%, respectively, of our total revenue for the respective periods. During the Track Record Period, our largest customer in the United States increased its purchase volume in a greater proportion than customers with different geographic coverage, resulting in a slight increase in customer concentration in the United States. For the years ended 31 December 2014, 2015 and 2016, our distribution and selling expenses were HK\$14.9 million, HK\$12.9 million and HK\$12.9 million, respectively, accounting for 2.8%, 2.3% and 2.2%, respectively, of our total revenue during the same periods.

During the Track Record Period, we maintained a policy of not accepting returns of unsold goods by our customers. None of our customers during the Track Record Period also served as a supplier for us. None of our Directors, their respective close associates or any Shareholder (whom, to the knowledge of our Directors, owns more than 5% of the issued Shares), had any interest in any of our five largest customers, who are independent third parties, during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

The following tables set forth certain information of our five largest customers, all of whom are wholesaler customers, during the Track Record Period:

For the Year Ended 31 December 2014

	<u>Business nature and background of the customer</u>	<u>Major products sold to the customer</u>	<u>Number of years of business relationship with us</u>	<u>Credit period and payment method</u>	<u>Percentage to our revenue</u>
Customer A	An importer, exporter and distributor of hair goods	Synthetic goods such as wig, braid and hair pieces	26	90 days after the date of bill of lading, wire transfer	14.5%
Customer B	A wholesaler of high-end human hair extensions, hair wear and hair care products in the United States	High-end human hair extensions	12	30 days after the date of bill of lading, wire transfer	8.4%
Customer C	A wholesaler of hair goods	Wig, braid and weaving	19	60 days after the date of bill of lading, wire transfer	7.5%
Customer D	A wholesaler of hair goods	Wig, braid and weaving	22	90 days after the date of bill of lading, wire transfer	6.9%
Customer E	A wholesaler and retailer of hair goods and hair extensions	Synthetic goods such as wig, hair piece, hair extension and human hair products	23	30 days after the date of bill of lading, wire transfer	6.3%

For the Year Ended 31 December 2015

	<u>Business nature and background of the customer</u>	<u>Major products sold to the customer</u>	<u>Number of years of business relationship with us</u>	<u>Credit period and payment method</u>	<u>Percentage to our revenue</u>
Customer A	An importer, exporter and distributor of hair goods	Synthetic goods such as wig, braid, and hair pieces	26	90 days after the date of bill of lading, wire transfer	16.1%
Customer B	A wholesaler of high-end human hair extensions, hair wear and hair care products in the United States	High-end human hair extensions	12	30 days after the date of bill of lading, wire transfer	12.8%
Customer D	A wholesaler of hair goods	Wig, braid and weaving	22	90 days after the date of bill of lading, wire transfer	11.1%
Customer F	A wholesaler and retailer of wigs, hair pieces and hair extensions	Wig and hair pieces	9	90 days documents against acceptance (DA), wire transfer	6.8%
Customer C	A wholesaler of hair goods	Wig, braid and weaving	19	60 days after the date of bill of lading, wire transfer	5.4%

BUSINESS

For the Year Ended 31 December 2016

	Business nature and background of the customer	Major products sold to the customer	Number of years of business relationship with us	Credit period and payment method	Percentage to our revenue
Customer A	An importer, exporter and distributor of hair goods	Synthetic goods such as wig, braid, and hair pieces	26	90 days after the date of bill of lading, wire transfer	13.6%
Customer B	A wholesaler of high-end human hair extensions, hair wear and hair care products in the United States	High-end human hair extensions	12	30 days after the date of bill of lading, wire transfer	13.0%
Customer D	A wholesaler of hair goods	Wig, braid and weaving	22	90 days after the date of bill of lading, wire transfer	12.0%
Customer F	A wholesaler and retailer of wigs, hair pieces and hair extensions	Wig and hair pieces	9	120 days documents against acceptance (DA), wire transfer	7.0%
Customer G	A wholesaler of high-end human hair extensions, hair wear and hair care products in the Europe	High-end human hair extensions	17	60 days after the date of bill of lading, wire transfer	5.4%

Wholesalers

We receive regular purchase orders for our products from wholesalers, which, in turn, sell our products through their respective sales channels to various retailers under their own brands or brands they are licensed to use. Our products are packaged and delivered in accordance with the instructions provided by our wholesaler customers. The packages typically bear such wholesalers' branding logos and include their instructions on use. We have maintained long-term relationships with most of our wholesaler customers, but generally do not enter into fixed long-term sales agreements with any of them and do not permit them to return unsold products.

Mass Retailers

We also receive purchase orders from mass retailers for Halloween products, which, in turn, sell our products under their own brands directly to consumers. We also maintain long-term business relationships with our mass retailer customers but do not permit return of unsold products. Our products are packaged and delivered in accordance with the instructions provided by our mass retailer customers. The packages typically bear the mass retailers' branding logos. We generally do not enter into any fixed long-term sales agreement with our mass retailer customers. Our mass retailer customers typically provide us with a purchase order four to six months ahead of the expected delivery date, which gives us a certain visibility into their anticipated sales volumes.

E-commerce Customers

We also engage in e-commerce by selling our own branded products through various websites to customers around the world. During the Track Record Period, we promoted and sold our proprietary brand products and our various sports team affiliations, country- or event-themed wigs through third party websites as well as through our own dedicated websites for the Japan market and the China market.

Hair Salons in Asia

We currently market and promote our high-end human hair extensions in Asia, mainly in Japan and China, under our own brands, “EXT Bands” and “La Buosse”. Our sales offices in Japan and China regularly promote our high-end human hair extensions to salons. From time to time, we also work with our Strategic Partner to promote our high-end human hair extension products. While we will repair or offer to exchange any defective high-end human hair extension products, we do not accept any returns of unsold goods from the hair salons. In the near future, we plan to further penetrate the South Korea and Thailand markets with our own high-end human hair extension brands.

Agreement with High-end Human Hair Extension Customer

During the Track Record Period, other than as disclosed below, we have not entered into any long-term agreement with our customers. On 8 December 2015, we entered into a sale of goods agreement with our second largest customer for the year ended 31 December 2016 (“**Customer B**”), pursuant to which we produce and sell certain high-end human hair extensions to Customer B for its exclusive distribution in certain countries such as the United States, Canada and Mexico. We have been in business with Customer B for over 10 years. Customer B distributes and sells high-end human hair extensions in these countries under its brands pursuant to a know-how licencing agreement between Customer B and our Strategic Partner.

The principal terms of our sale of goods agreement with Customer B are as follows:

- We produce high-end human hair extensions under certain brands and sell them to Customer B, who in turn has the exclusive licence from our Strategic Partner to distribute and sell such products in the United States (including its possession Puerto Rico), Canada, Mexico, Brazil, Argentina, Colombia, Chile, Venezuela, Panama, Uruguay, Paraguay, Peru, Ecuador and Costa Rica.
- Our sales price to Customer B must match the lowest of the top two customers for these products, where Customer B is currently our largest customer for these products.
- Customer B must meet certain annual minimum purchase requirements from 2016 to 2020.

On 11 February 2017, Customer B waived its exclusive right to the extent that a company incorporated in the U.S. with limited liability could purchase those products from us and sell such products in the said countries. However, any and all purchases of those products by Customer B and/or that U.S. company from us in a given year shall be counted towards Customer B’s minimum purchase requirements for such year.

PRICING AND PAYMENT

Pricing Strategies

We generally price our products in one of three ways: (i) on a cost-plus basis with reference to the market price of comparables; (ii) on a market price basis; or (iii) on a demand basis. Most of our products are priced by using the first approach. However, we adjust our pricing strategies based on the expected demand of products. Fashion products that are in demand typically command price premiums. Our pricing strategies allow us to offer competitive pricing for our products generally, while enjoying higher margins on products in high demand. Given the seasonality of our Halloween products and as part of our production planning, we also provide early bird discounts of 3% to 5% to wholesale customers of Halloween products that place advance purchase orders with us before 31 August of the prior year.

Payment Terms and Other Arrangements

In granting the relevant credit period to our customers, we take into account the relevant customer's creditworthiness, payment methods, pricing policy and size of sales orders. We typically grant our wholesaler customers a credit period of 30 to 90 days and our mass retailer customers a credit period of 75 to 150 days. Our wholesalers principally engage in the sale of hair goods or other hair related products. Our mass retailer customers mainly include mall retailers, department stores and supermarkets that sell different kinds of products and usually have strong bargaining power in negotiations with their suppliers. In addition, our mass retailer customers usually make only one bulk purchase of Halloween products every year. Accordingly, we grant a longer credit period to our mass retailer customers. Our customers typically settle their trade payables by wire transfer.

For the years ended 31 December 2014, 2015 and 2016, our trade receivables turnover days were 49 days, 68 days and 72 days, while our trade payables turnover days were 10 days, 10 days and 14 days, respectively. As a result, our trade receivables turnover days are generally much longer than our trade payable turnover days. This may lead to cash flow mismatches which may materially and adversely affect our financial performance and results of operations.

In light of the potential risk of cash flow mismatches, we have adopted the following policies and procedures:

- (a) we have an internal credit control system for assessing potential customers' creditworthiness and for determining credit limits and credit approvals, which we review on a regular and periodic basis;
- (b) we have implemented monitoring procedures to ensure that follow-up action is taken to recover overdue debts;
- (c) we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and to mitigate the effects of fluctuations in cash flows;
- (d) we obtain trading facilities and other purchase financing to purchase a substantial amount of our supplies; and

BUSINESS

- (e) we negotiate with our suppliers for longer credit terms and seek to extend corresponding settlement periods without impairing our relationships. For the year ended 31 December 2016, we successfully persuaded 17 suppliers (including 7 of our top 20 suppliers for the year ended 31 December 2016) to extend our credit periods from 7-30 days to 30-60 days. As a result, our credit terms for settling raw materials payment in the aggregate sum of approximately HK\$5.6 million for the year ended 31 December 2016 have been extended accordingly.

QUALITY CONTROL

We believe that quality control is vital to our continued success in the industry. From the sourcing of raw materials, production and packing, to sale and delivery, we strictly control the quality of our operations in order to monitor our production quality and to ensure that our products meet all customer specifications and our internal quality control standards.

Our quality control department is independent of our production department, and is responsible for conducting random spot checks on our products to ensure that relevant customers' specifications and our internal quality control standards are being met. As at 31 December 2016, we had 267 employees in our quality control department.

Raw Materials

We purchase raw materials only from suppliers that have passed our quality and reliability assessment. We evaluate our suppliers annually based on a range of factors, including pricing, raw material quality and the ability to meet our delivery timeline. For synthetic fibre suppliers, we conduct sample checks on each batch delivered to our production centres. We either return synthetic fibres that do not meet our specifications, or request that our suppliers provide discounts if we determine that we can accept the batch for other uses. For human hair suppliers, we arrange for our quality control staff to carry out on-site inspections on such raw materials at our suppliers' facilities before delivery.

Production Processes

We strictly follow our customers' requirements and specifications as well as our own internal quality standards. In addition to monitoring production volume and delivery schedules, our production line leaders and their deputies are also responsible for the quality of the work-in-progress. They are required to identify production defects and remedy such defects before work-in-progress becomes finished goods. Our quality control department provides training to our production line leaders and their deputies to ensure compliance with product quality specifications and requirements. Quality assurance checks of our work-in-progress are conducted at each stage of the production process. After work-in-progress is delivered to the next stage of the production process for further handling, it will be further checked for any quality issues at the receiving section. We also conduct final sample checking of our products for any overall quality defects before our products are packaged.

Industry Certifications

Our products are sold to retail customers in different countries. Based on customers' requirements, we may be required to obtain certain product content certifications for the jurisdictions in which our products are sold. As a result, our products are subject to additional testing and certification for levels of certain chemicals such as lead, cadmium, arsenic and other heavy metals as well as phthalate. Our products are also tested for flammability under various U.S. and European standards.

Warranty and After Sales Services

We maintain a customer complaints policy of remediating any quality issues or service deficiencies raised by customers. We are committed to the high quality and reliability of our products, to help strengthen our recognition and trust among our customers.

Each customer complaint is directed to the relevant sales team responsible for that specific customer. In the case of a product quality complaint or concern, we will typically seek to discuss the concern directly with the affected customer to understand the issue and resolve the concern on a case-by-case basis. If we determine that there is an issue with our product quality, we will repair or exchange such non-conforming products at our expense or offer a discount to the customer, at our discretion. For the years ended 31 December 2014, 2015 and 2016, the value of the products returned to us for repair by our customers was HK\$1.1 million, HK\$0.1 million and HK\$50,000, respectively.

As a result of our implementation of strict quality control policies, during the Track Record Period and up to the Latest Practicable Date, we have not, as a result of material product quality issues, received fines or been subject to any product recall orders or other penalties from any government or regulatory bodies or had any product liability claims, or received any products return requests or complaints from our customers that had a material adverse impact on our operations.

INVENTORY CONTROL

Our inventory consists principally of raw materials and finished goods. We have a number of measures in place to manage our inventory with a view to reducing our inventory surplus and inventory aging. We believe that we are successful in maintaining appropriate levels of inventory and continue to strive towards the improvement of our inventory management controls. Our inventory policy is to maintain inventory at a prudent level.

Our management information system (MIS) assists us in planning and managing our inventory control by providing real time information of our inventory of raw materials. Our inventory control department timely monitors our inventories, including inventory levels, inventory age, inventory composition and inventory turnover rate. We also carry out physical stock counts on a regular basis.

Raw Materials

Our principal raw materials are synthetic fibres and human hair. We principally source our synthetic fibres from Japan, South Korea and China, and human hair from China and India, which will then be shipped to our production bases in China or Bangladesh. Our raw materials also include packing materials based on our customers' designs and specifications.

We regularly monitor our inventory to determine whether we have sufficient inventory on hand based on order forecasts and safety buffers that our management has set beforehand or whether we need to replenish any raw material inventory. We have a system in place to keep track of the inventory level of each type of raw material. We believe that our current raw material management policy enables us to advance our production processes. Our human hair and synthetic fibre raw materials generally are not subject to obsolescence.

BUSINESS

We generally keep approximately six months and three months inventory of synthetic fibres at our production facilities in Bangladesh and China, respectively, and approximately three to four months inventory of human hair in both locations. We usually purchase human hair sourced from China on a monthly basis and human hair sourced from India on an approximately quarterly basis, and purchase synthetic fibres and other raw materials on a monthly basis after evaluating our inventory levels, current sale orders and the prevailing prices of the raw materials. We store our raw materials in warehouses in each production centre after delivery from our suppliers. We also maintain a moderate level of raw materials, including synthetic fibres, human hair and certain auxiliary materials, in our production facilities so as to avoid any disruption to production due to shortage or delay.

Finished Goods

We generally ship our products to our customers as soon as practicable, and typically within one or two weeks after production, unless otherwise agreed with the customers. We may delay shipment of our products at a customer's request. We do not actively maintain a finished goods inventory, as our finished goods inventory comprises only finished products which are pending shipment to our customers. We have a system in place to keep track of the inventory level of our finished goods and the relevant shipment schedules.

Distribution Logistics

For products manufactured at our Bangladesh Production Base, we transport our products by trucks along roads that lead to the Chittagong port, through which we ship our goods internationally. Similarly, products produced at our China Production Base are transported by trucks to the Yantian port in Shenzhen or to the Hong Kong container port through which we ship the goods internationally.

INTERNAL CONTROL AND RISK MANAGEMENT

In May 2016, we engaged an internal control consultant (the "IC Consultant") to perform an assessment of our internal controls. Its scope of service includes, among others, (i) conducting a review of our internal control at corporate level and operational level; (ii) identifying findings based on deficiencies in the design and operating effectiveness of the internal controls; (iii) conducting a follow-up assessment of remedial measures implemented by us; and (iv) following up on the progress of measures implemented by us in remediating the deficiencies identified.

In July 2016, the IC Consultant completed the first review of our internal control system. The IC Consultant's material findings and recommendations and our responses are as follows:

<u>No.</u>	<u>IC Consultant's material findings</u>	<u>IC Consultant's recommendations</u>	<u>Our responses</u>
1.	The Company has not established formal policies and procedures to deal with certain Listing Rules requirements, such as identification, monitoring and review of notifiable and connected transactions and handling and monitoring of price-sensitive and confidential information.	The Company should establish a mechanism including policies and procedures to handle and monitor compliance with the above Listing Rules requirements.	We have established policies and procedures to handle and monitor compliance with the Listing Rules requirements and our Board will formally approve such policies and procedures upon our Listing.

BUSINESS

<u>No.</u>	<u>IC Consultant's material findings</u>	<u>IC Consultant's recommendations</u>	<u>Our responses</u>
2.	The Company's existing mechanism for risk assessment and management was not comprehensive enough. Although the Company assessed short term operational risks and documented in the monthly management report, it may not cover other risk such as financial reporting risks and compliance risks in such report.	The Company's senior management should enhance the comprehensiveness and documentation of the risk assessment and management mechanism to manage and monitor risk on an ongoing basis, and also to comply with the upcoming code amendments.	We have established policies and procedures regarding risk management and our Board has formally approved such policies and procedures upon our Listing.
3.	The Company had established an internal audit function to monitor the implementation of policies and procedures of significant business process. However, its internal audit function only reported to financial controller.	The Company should establish dual-reporting relationships such that internal audit function would functionally report to its Board while administratively report to the managing director.	We have established internal audit policies and procedures in regulating the internal audit function and the dual reporting relationship.
4.	The Company had not established a formal whistle-blowing program to log the issues reported and discussed and to keep track of the status and corresponding actions taken.	The Company should develop and communicate to its staff a formal whistle-blowing program, and discuss, investigate and document all reported cases.	We have established policies and procedures regarding whistle-blowing program, and our audit committee and our Board have formally approved a whistle-blowing policy.
5.	The Company had not established formal written policies and procedures for some of its business operation processes, such as financial reporting and disclosure, inventory management, production management and tax management.	The Company should establish policies and procedures in respect of the identified areas and provide appropriate training and communication to relevant employees.	We have established and approved policies and procedures to include all of the key business operation processes in the areas identified by our IC Consultant.
6.	The Company did not maintain documents for monitoring controls performed such as reviews and approvals in some instances.	The Company should emphasize the importance of producing and maintaining documents to support the performance of reviews such as analyses, reports, reconciliations and other approval forms, communicate it to all managers and employees and include it as a requirement in the Company's policies and procedures.	We have strengthened the documentation of monitoring controls performed.

BUSINESS

No.	IC Consultant's material findings	IC Consultant's recommendations	Our responses
7.	Our Company lacked proper information technology controls in certain areas, such as data backup management, business continuity plan and access and security control.	Our Company should establish written policies and procedures and implement and apply the corresponding controls consistently to strengthen our information technology controls.	We have established information technology policies and procedures and implemented the corresponding general controls to strengthen our information technology controls in the identified areas.

In September 2016, our IC Consultant completed a follow up review on our internal control system and they did not note any findings of material weakness or insufficiency in our internal control system.

We strive to maintain sound and effective internal controls to safeguard our assets at all times. We have a series of internal control policies, procedures and programmes in place designed to provide reasonable assurance for achieving effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. We have implemented a risk management policy to identify, analyse, categorise, mitigate and monitor various potential risks in relation to our operations. Set forth below is a summary of the risk management and internal control policies that we adopted to address relevant risks:

- *Management of our quality control risk.* We have a dedicated quality control team, which is responsible for conducting spot checks on whether a product meets relevant customers' specifications and compliance with our internal quality control standards. We also have a customer complaint policy in place to remediate any quality issues or service deficiencies. See "– Quality Control" above for additional information regarding our management of quality control risk.
- *Management of our credit risk.* Our credit risks are primarily attributable to our trade receivables. We typically grant our wholesaler customers a credit period of 30 to 90 days, and our mass retailer customers a credit period of 75 to 150 days. In order to minimise our credit risk, the management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For new wholesaler or mass retailer customers, we usually request a down payment before commencing production and the remaining balance before delivery.
- *Management of our currency risk.* We have sales and purchases denominated in foreign currencies, which expose us to foreign currency risk. In order to reduce the risk associated with foreign currency fluctuations, we have entered into certain foreign currency forward contracts to hedge against our exposures to changes of foreign exchange rate. We have entered into a US\$/RMB foreign currency forward contract to hedge our exposure to the appreciation of the RMB against the U.S. dollar on a monthly basis from July 2015 to June 2017. Pursuant to this contract, on each settlement date we receive a specified amount from the bank if the settlement rate on a valuation date is less than US\$1.00 to RMB6.21, representing the low-end of the range; conversely, we pay a specified amount to the bank if the settlement rate on a valuation date is equal or greater than US\$1.00 to RMB6.35, representing the high-end of the range. If our profit reaches the capped amount of RMB0.4 per US\$1 (on notional amount of US\$0.5 million) the transaction would terminate. We have also entered into a US\$/HK\$ foreign currency forward contract to hedge our exposure to the appreciation of the U.S. dollar against Hong Kong dollar on a monthly basis from January 2016 to December 2017. Pursuant to the

BUSINESS

contract, we receive a sum of HK\$18,000 from the bank if US\$/HK\$ spot rate fixes at or above the strike rate of US\$1.00 to HK\$7.735 on each expiry date, and we buy the U.S. dollars and sell Hong Kong dollars for notional amount of US\$1.5 million at the strike rate of US\$1.00 to HK\$7.735 if US\$/HK\$ spot rate fixes below the strike rate on each expiry date. Up to 31 December 2016, we have incurred a net loss of approximately HK\$4.1 million from the transactions under the USD/RMB foreign currency forward contract and realised a net gain of HK\$0.2 million from the transactions under the US\$/HK\$ foreign currency forward contract.

- *Management of our liquidity risk.* To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.
- *Management of our regulatory risk.* We are committed to comply with applicable laws and regulations. We utilise external legal counsel as needed to assist us with our compliance with all applicable laws and regulations in the countries where we manufacture and sell our products. We also engage legal counsel to assist us with any regulatory approval process and to obtain the required approvals and authorisations.
- *Management of our bribery and corruption risk.* We have established comprehensive measures against bribery and corrupt conduct, which include anti-bribery and anti-corruption policies, proper bookkeeping procedures, and an internal mechanism for reporting improper conduct.

Our anti-bribery and anti-corruption policies prohibit our directors and employees from soliciting, accepting or offering any bribe while conducting our business. Our anti-bribery and anti-corruption policies provide the tools and resources necessary to enable, monitor and ensure compliance with the anti-bribery and anti-corruption laws of Bangladesh, China and other countries where we conduct our business operations. We will take disciplinary action against an employee who violates our anti-bribery and anti-corruption policies, which may include termination of employment. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any violation of our anti-bribery and anti-corruption policies by our employees.

In addition to our anti-bribery and anti-corruption policies, we have set up appropriate bookkeeping procedures to prevent the misuse of corporate funds and improper transactions and implemented comprehensive policies on management of expenses incurred in the course of conducting our business. In accordance with our policy, employees' expenses will only be approved if supported by valid official receipts. Our employees are required to submit proper receipts in connection with our operations within a certain time frame in order to get reimbursed. Our accounting department is responsible for examining receipts and handling expense reimbursements. Our Chief Financial Officer further reviews the accounting department's reimbursement approvals from time to time to ensure that our employees do not engage in any bribery or corrupt conduct.

We have also implemented a system for handling complaints and investigations. We set out complaint procedures in our internal policies and rules, which are circulated to all of our employees. Each of our offices and production facilities is obligated to immediately report any suspected incidents of bribery and corruption to our senior management, which will carry out any further investigations as necessary and determine the appropriate course of action. From time to time, we also provide training to our staff and updates on recent bribery and corruption issues and best practices.

BUSINESS

- *Management of our security risk.* We engage an independent security company to provide security services in our Bangladesh Production Base and ensure the safety of our employees and assets in Bangladesh. The security guards employed by the security company, among other functions, patrol our industrial premises to prevent and detect signs of intrusion, monitor and authorise the arrival and departure of employees, visitors and other persons in order to guard against prohibited items and theft, report to local security authorities and/or us upon the occurrence, of any accidents, illegal acts and/or natural disasters and conduct fire drills twice a year.
- *Management of our country specific risk.* We have a strong local management team with in-depth knowledge of the culture, management skills, law and regulations, business operations and risk control in Bangladesh. Our day-to-day operations in Bangladesh are supervised primarily by Mr. Hussain Dewan Zakir and Mr. Sarker Kumar Subrata. Mr. Hussain joined our Group in February 2011 and is a director of Evergreen Factory (BD), one of our major subsidiaries in Bangladesh. He is mainly responsible for formulating business strategy, overseeing our business operation in our Bangladesh factories and maintaining good relationships between Bangladesh authorities and us. Mr. Hussain obtained a Master of Science degree in Psychology from the University of Dhaka in 1975 and received training from a number of international institutions on governance and management. He had previously worked in various Bangladesh governmental authorities for over 30 years and held different positions, including secretary of the Ministry of Industries, secretary of the Ministry of Social Welfare, the chairman of the Land Appeal Board of the Ministry of Land and deputy secretary of the Economic Relations Division of the Ministry of Finance. Mr. Sarker is the general manager of Evergreen Factory (BD) and is primarily responsible for administering a variety of business functions, including but not limited to human resources, procurement, delivery, legal compliance and land management. Mr. Sarker joined our Group in December 2009 as a project officer and has accumulated over 7 years' working experience in the hair goods manufacturing industry. Prior to joining Mr. Sarker worked in Xin Chang Shoes (BD) Ltd., a footwear manufacturer in Bangladesh, initially as a management trainee in September 2008 and was promoted to be the supervisor in charge of its human resources and compliance department in January 2009. From March 2006 to September 2008, Mr. Sarker worked at a textile and leather goods supplier and was responsible for market search, quality control and exportation of leather goods. Mr. Sarker obtained a Bachelor of Science in Leather Products Technology from the University of Dhaka in 2007.
- *Management of our infrastructure risk in Bangladesh.* Power outages are common in Bangladesh. The Bangladesh government has recently made improvements to the country's electricity infrastructure to facilitate a stable power supply. In addition, the Bangladesh government is committed to giving priority in power supply to export process zones with the support of electricity sub-stations, as a result of which our UEPZ Production Centre could enjoy relatively stable power supply as compared with areas outside of the export processing zones. Therefore, we have sought to allocate most of our automated work to the UEPZ Production Centre to minimise the impact of the power outages. Since 2015, the average duration of power outages in our Bangladesh Production Base has not exceeded one hour per day. As at the Latest Practicable Date, we had 23 fuel powered electric backup generators at our Bangladesh Production Base. We always maintain sufficient amount of fuel at our Bangladesh Production Base to support the function of our backup generators. In addition, we can easily purchase additional fuel from the local station nearby. As a result, our backup generators are able to maintain our production for at least eight hours per day on a daily basis.

BUSINESS

In the event of power outages, we are able to use our own electric backup generators to maintain our production or move our workers to do manual production work. During the Track Record Period, we did not experience any interruption in our delivery schedule caused by the power outages in Bangladesh.

Our Board is responsible for overseeing the overall risk management and internal control systems and the effectiveness of our internal audit function on an ongoing basis. Our Board reviews and evaluates matters including the nature and extent of the risks to which we are exposed, significant control failures or weaknesses identified and the effectiveness of our processes for financial reporting and compliance with applicable laws and regulations on an annual basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

COMPETITION

We are a leading global manufacturer of hair goods, in terms of manufacturer revenue, in 2016, according to the Frost & Sullivan Report. The hair goods industry is a highly competitive and fragmented industry. According to the Frost & Sullivan Report, the ten largest manufacturers in the global hair goods industry accounted for a total of 28.3% market share in term of manufacturers revenue in 2016. We compete primarily with other manufacturers of hair goods based in China and Indonesia on pricing, quality, timely delivery and scalable production capacity.

The major market drivers in the hair goods industry, according to the Frost & Sullivan Report, include, among others, (i) increasing demands from consumers of African descent, (ii) changing perception towards hair goods in the Asian market and (iii) increasing popularity of Halloween products. For details, see “Industry Overview – Major Market Drivers”.

The key barriers to entry in the hair goods industry, according to the Frost & Sullivan Report, include, among others, (i) cost control, (ii) strong relationship with hair suppliers, (iii) brand effect and (iv) technology barriers. For details, see “Industry Overview – Entry Barriers”.

According to the Frost & Sullivan Report, in the hair goods industry, our competitive advantages include (i) a comprehensive product portfolio, (ii) long-term and close relationships with key customers, (iii) deep manufacturing experience and knowledge, (iv) robust research and development capabilities and (v) low production costs due to strategic location and economies of scale, which enable us to successfully compete with our major competitors in the hair goods industry. See “– Our Competitive Strengths” above for more details.

TAXATION

Evergreen Factory (BD), one of our major subsidiaries, enjoys a tax holiday for a period of 10 years until 2019, during which period Evergreen Factory (BD) is exempt from paying Bangladesh corporate income tax and dividend withholding tax. For the years ended 31 December 2014, 2015 and 2016, Evergreen Factory (BD) enjoyed exemptions from Bangladesh income tax equal to HK\$8.2 million, HK\$11.1 million and HK\$14.0 million, respectively.

BUSINESS

After the expiry of the tax holiday, Evergreen Factory (BD) will be subject to Bangladesh corporate income tax at the rate of 35% and dividend withholding tax at the rate of 20% on dividend repatriation, respectively. Because Evergreen Factory (BD) is a private limited company, whose sole business is exporting goods from Bangladesh, it is required to pay Bangladesh corporate income tax on half of its total tax assessable income only. On the other hand, it is expected that we will still be entitled to enjoy other tax incentives, including duty-free importing of machinery, equipment and raw materials for export products, as well as duty-free exporting of goods produced in the UEPZ after our Bangladesh tax holiday expires.

The following table sets out the corporate income tax rate and dividend withholding tax rate in the PRC, Indonesia, Cambodia and Vietnam where our competitors may be located:

Jurisdictions	Income tax rate	Dividend withholding tax rate
PRC	25%	10%
Indonesia	25%	20%
Cambodia	20%	14%
Vietnam	20%	0%

Based on the above, even when our Bangladesh tax holiday expires, we expect to continue to enjoy a comparatively lower income tax rate than our competitors that are not entitled to any preferential tax treatment. In addition, Bangladesh currently offers cheaper labour as compared with the above jurisdictions. Even if the dividend withholding tax rate in Bangladesh that will apply to us after the expiry of our tax holiday is equal to or slightly higher than that which is applicable to our competitors, we expect to maintain our global competitive advantage due to the lower labour costs and income tax rate in Bangladesh.

PROPERTIES

As at the Latest Practicable Date, we occupied certain properties in Bangladesh, the PRC, Hong Kong, the United States and Japan. These properties are primarily used as our production facilities, warehouses, design, research and development centre, offices and dormitories.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our interests in land or buildings, for the reason that, as at 31 December 2016, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Properties

As at the Latest Practicable Date:

- *Hong Kong.* We held properties with a total GFA of 2,006 sq.m. in addition to a car park in Hong Kong. The said properties are mainly used as our headquarters.
- *China.* We held six parcels of land with a total land area of approximately 85,000 sq.m., and 74 buildings, 32 commercial or residential units and three car parks of a total GFA of approximately 60,500 sq.m. in China. We use these properties primarily as offices, workshops and staff quarters.

BUSINESS

- *Bangladesh.* We held five plots of land with a total area of approximately 6,126 decimals (approximately 247,919 sq.m.) and constructed nine buildings with a total GFA of 61,584 sq.m. in Bangladesh.
- *Other Jurisdictions.* We held properties with a total GFA of approximately 492 sq.m. in the United States and two office units with a total GFA of approximately 234 sq.m. in Japan, comprising our sales offices in such jurisdictions.

We had not obtained certain requisite certificates or permits, including planning permits, construction permits and certificates for passing construction completion inspections, for construction of our own buildings with a total GFA of 13,777 sq.m. in Kunming, out of which the buildings with a total GFA of 7,374 sq.m. are used for our own operation and the buildings with a total GFA of 6,403 sq.m. are leased to independent third parties for rental income. As advised by our PRC Legal Advisers, (i) we may be ordered to pay fines, rectify within stipulated periods or demolish the relevant buildings (or be subject to confiscation of the buildings or illegal gains if such demolition is not feasible); and (ii) it may cause legal impediments in obtaining ownership certificates for certain buildings.

We have engaged our PRC Legal Advisers to conduct interviews with the Urban and Rural Planning and Construction Bureau of Songming County, Kunming (昆明市嵩明縣城鄉規劃建設局) to determine the likelihood of penalties and the current practice of the authority with respect to interpretation and implementation of the relevant laws and regulations. Our PRC Legal Advisers are of the view that the bureau is the competent authority related to the planning and construction of our buildings in Kunming. The bureau confirmed in the interviews that:

- (i) the implementation of the relevant laws and regulations lacks rigour, as the relevant buildings are located in rural areas; and
- (ii) it will not impose penalties on us or require us to demolish such constructions or move out.

Therefore, our Directors are of the view that the lack of the relevant certificates and permits for the said buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial condition as a whole.

In addition, Evergreen Factory (YZ) is the registered holder of the land use rights to certain land held under the collectively-owned land certificates issued in 2004 and 2007, and it has occupied and used such land for its production purposes. As advised by our PRC Legal Advisers, Evergreen Factory (YZ) is not a township enterprise or any other entity that is permitted to use the collectively-owned land under the Land Administration Law of the PRC. However, our PRC Legal Advisers are of the view that (a) the risk of us being determined to be in breach of the Land Administration Law of the PRC or to be penalised by the relevant land administration authorities due to the use of collectively-owned land is low; and (b) our use of the relevant land has no material adverse impact on our Listing for the following reasons:

- (i) Evergreen Factory (YZ) holds valid land use certificates issued by the Yuzhou Municipal People's Government, the statutory authority for the issuance of the land use certificates according to the Land Administration Law of the PRC;
- (ii) During the interviews with our PRC Legal Advisers, the Yuzhou Land Administration Bureau and its branch office in Chuhe, the competent land administration authorities overseeing such matters, confirmed that (a) our use of such collectively-owned land does not constitute non-compliance with the Land Administration Law of the PRC because the Yuzhou Municipal People's Government approved our land use rights of such collectively-owned land and our use of such land is in compliance with the local land use planning; (b) Evergreen Factory (YZ) may

BUSINESS

continue to occupy and use such land and the buildings thereon; (c) it will not order Evergreen Factory (YZ) to cease the use of such land or demolish the buildings, or impose administrative penalties; and (d) in respect of the land use rights held under the land certificate obtained in 2004, Evergreen Factory (YZ) is in the process of the expropriation and grant of the land use rights of state-owned land and is expected to obtain the state-owned land certificate by the end of 2017.

We have good title over land comprising a total area of 1,588 decimals (approximately 64,250 sq.m.) in Bangladesh. During our due diligence process, we noted errors in the schedules and the chain of ownership of our land in Bangladesh, comprising approximately 635 decimals (25,692 sq.m.). These errors are primarily attributable to clerical errors made in the land documents and the manual land record system in the Bangladesh. The errors in respect of 526 decimals (approximately 21,282 sq.m.) have been corrected, and the errors in respect of 109 decimals (approximately 4,411 sq.m.) are being corrected, by having a rectification deed executed and registered with the relevant land registries. We expect the correction will be completed by the end of 2017. As advised by our Bangladesh Legal Advisers, we will have good title over this land once we complete the registration process of the rectification deed. In addition, we have yet to complete the process for updating the ownership records at local land offices for certain of our land in Bangladesh, comprising approximately 5 decimals (approximately 202 sq.m.), primarily due to nature of the registration process in Bangladesh. As a result, the land development taxes for those parcels of land have yet to be updated. As advised by our Bangladesh Legal Advisers, (i) with respect to the land outside the municipality area, we need to pay a land development tax of BDT 40 (approximately HK\$4.0) for each decimal of land; and (ii) with respect to the land inside the municipality area, we need to pay a land development tax of BDT 100 (approximately HK\$10.1) for each decimal of land. As we have 241 decimals of land inside the municipality area and approximately 5,558.8 decimals of land outside the municipality area, we need to pay land development tax in a total amount of approximately BDT 246,450 (approximately HK\$24,940.7) per year for our land. As advised by our Bangladesh Legal Advisers, there is no legal impediment for us to update the ownership records for this land at local land offices. We are in the process of updating the ownership records and expect to complete the update by the end of 2017. See “Risk Factors – Our land and properties in Bangladesh may be subject to encumbrances or title defects that cannot be discovered, and are susceptible to challenges in the future” for more details of the properties related risks. Notwithstanding the above, our Bangladesh Legal Advisers are of the view that (i) the risk of ownership disputes over our land and properties in Bangladesh is low; and (ii) we have registered land documents and possession over our land and properties in Bangladesh and will always have priority in terms of ownership rights over our land and properties in the event of an adverse claim made to that land and those properties.

Leased Properties

As at the Latest Practicable Date:

- *China.* We leased five parcels of land with a total land area of approximately 48,000 sq.m. mainly for the purpose of investment and environmental protection, an office with a GFA of approximately 60 sq.m., and two factories with a total GFA of approximately 4,300 sq.m. as our production facilities.
- *Bangladesh.* We leased 28 plots of land with a total land area of approximately 57,000 sq.m. in UEPZ and floor space in buildings outside UEPZ with a total area of approximately 4,115 sq.m. in Syedpur and Nilphamari, Bangladesh in Bangladesh for our production activities. We also leased office space with a total GFA of approximately 514 sq.m. in Dhaka and Chittagong, Bangladesh.

BUSINESS

As we were planning to expand our operations between 2002 and 2007, Kunming Evergreen leased a piece of collectively-owned land in Yanglin, Kunming (of a total land area of 6,670 sq.m.) and three pieces of land in Baiyi, Kunming (of a total land area of approximately 10,152 sq.m.), and Evergreen Factory (YZ) leased a piece of land in Yuzhou (of a total land area of approximately 31,120 sq.m.) with the intention of constructing additional production bases thereon, especially for the three pieces of land in Baiyi and one piece of land in Yuzhou, which are adjacent to our Kunming and Yuzhou production centres, respectively. However, as we changed our long-term business strategy by seeking to expand into other locations with lower production costs outside of the PRC, the three pieces of land in Baiyi, Kunming and the piece of land in Yuzhou have since become idle; the piece of land in Yanglin, Kunming by contrast was used as production factory until May 2011. Pursuant to the lease agreements in respect of that land and the relevant PRC laws, we shall be obligated to compensate the lessors for all their losses incurred (up to approximately RMB1.2 million as at the Latest Practicable Date) if we terminate such lease agreements unilaterally prior to the expiry of such agreements. With respect to early termination, our Directors were of the view that it is not in our best commercial interest to terminate such lease agreements in advance. Therefore, we did not take any action to terminate the leases.

Leased land in Yanglin, Kunming

With respect to the leased land in Yanglin, Kunming, the lease agreement contains, among others, the following major terms and conditions:

<u>Date of agreement</u>	<u>Contracting parties</u>	<u>Area (Approximately)</u>	<u>Lease term</u>	<u>Rent</u>
3 September 2007 . .	Liguanying Group of Zhangguanying Villagers' Committee of Yanglin, Songming County, Kunming and Evergreen Kunming	6,670 sq.m.	1 October 2007 – 30 September 2027	RMB30,000 for the first five years; RMB40,000 for the second five years; RMB50,000 for the third five years; and RMB50,000 for the fourth five years.

Since Kunming Evergreen did not carry out any production on the piece of leased land in Yanglin, Kunming and the buildings thereon after May 2011, in order to avoid wasting its property resources, Kunming Evergreen, as the lessor, entered into a sub-lease agreement (as amended by a supplemental sub-lease agreement on 19 May 2017) with an independent third party, as the lessee, on 5 May 2013, pursuant to which Kunming Evergreen sub-leased the relevant land and the buildings thereon to the independent third party for production and operation with a lease term from 1 December 2013 to 30 September 2027. The rental income obtained by Kunming Evergreen from the aforesaid sub-leasing arrangement for the years ended 31 December 2014, 2015 and 2016 was RMB250,000, RMB250,000 and RMB253,084, respectively. On 15 January 2017, the relevant lessee issued a letter of undertaking to Kunming Evergreen to confirm and undertake that (i) he was aware that the leased land was a piece of collectively-owned land planned to be used for farming purposes; and (ii) if any of his use of such land does not comply with the relevant laws and regulations and thereby results in any penalties to Kunming Evergreen from the relevant government authority, he would compensate Kunming Evergreen for any losses incurred thereunder. Upon the expiration of the lease term, we will not renew the lease with Liguanying Group of Zhangguanying Villagers' Committee of Yanglin, Songming County, Kunming and the sub-lease with the independent third party.

BUSINESS

As the leased land in Yanglin, Kunming is a piece of collectively-owned land which was planned to be used for farming purposes, our PRC Legal Advisers have advised us that Kunming Evergreen's renting of the land in Yanglin, Kunming and sub-leasing to the third party have breached relevant regulations under Land Administration Law and Implementing Regulations of the Land Administration Law. Therefore, we may be ordered to return the land, restore the land to its original state, demolish the buildings and other facilities within a prescribed time and be subject to fines up to RMB30 per square metre of such land due to the non-farm use of the land. Additionally, we may be further subject to administrative penalties, including orders to make remedies within a prescribed time, confiscation of illegal gains and fines of up to 20% of the illegal gains due to the leasing of the relevant collective-owned land without permission. If we are subject to the punishment by the relevant competent land authority due to the above matters, we estimate the maximum loss to be approximately RMB1.5 million as at the Latest Practicable Date.

Our PRC Legal Advisers visited and discussed with the Urban and Rural Planning and Construction Bureau of Songming County, Kunming in relation to Kunming Evergreen's buildings on the relevant land in Yanglin, Kunming. The bureau confirmed that Kunming Evergreen's buildings on the leased land in Yanglin, Kunming are within the planning area of village and township and that Kunming Evergreen is able to continue to use the factory constructed on such leased land in its current status. Moreover, the bureau confirmed that it will not impose penalties on Kunming Evergreen or require it to demolish any construction or move out. Our PRC Legal Advisers are of the view that the bureau is the competent planning and construction authority for Kunming Evergreen with respect to these matters.

Due to the fact that (i) Kunming Evergreen has not conducted any production activities on the leased land and the buildings thereon in Yanglin, Kunming since May 2011 and has obtained the letter of undertaking issued by the lessee in respect of the sub-leasing of such land and the buildings thereon to cover any potential losses or penalties from use of such land and the buildings; and (ii) despite the fact that the sub-lease may be terminated due to non-compliance, the resulting rental loss will not have any material adverse effect on our business operations and financial condition as a whole, our Directors are of the view that the renting of the aforesaid collectively-owned land by Kunming Evergreen and sub-leasing of such land to the independent third party will not have any material adverse effect on our business operations and financial condition as a whole.

Leased land in Baiyi, Kunming and Yuzhou

With respect to the leased land in Baiyi, Kunming and Yuzhou, the lease agreements contain, among others, the following major terms and conditions:

<u>Date of agreement</u>	<u>Location</u>	<u>Contracting parties</u>	<u>Area (Approximately)</u>	<u>Lease term</u>	<u>Rent</u>
31 December 2002	Baiyi, Kunming	Nanying Villagers' Group of Nanying Villagers' Committee of Baiyi and Evergreen Kunming	1,134 sq.m.	1 December 2002 – 1 July 2065	RMB680 per year
31 December 2002	Baiyi, Kunming	Nanying Villagers' Group of Nanying Villagers' Committee of Baiyi and Evergreen Kunming	1,948 sq.m.	1 December 2002 – 1 July 2065	RMB1,168 per year

BUSINESS

<u>Date of agreement</u>	<u>Location</u>	<u>Contracting parties</u>	<u>Area (Approximately)</u>	<u>Lease term</u>	<u>Rent</u>
1 December 2006	Baiyi, Kunming	Nanying Villagers' Group of Nanying Villagers' Committee of Baiyi and Evergreen Kunming	7,070 sq.m.	1 December 2006 – 1 December 2076	RMB4,770 per year for the period from 1 December 2006 to 31 October 2008; RMB5,940 per year for the period from 1 November 2008 to 1 December 2076
10 June 2005	Yuzhou	Langzhuang Villagers' Committee, Chuhe, Yuzhou and Evergreen Factory (YZ)	31,120 sq.m.	8 June 2004 – 8 June 2053	RMB600 per mu per year (that is, the total rent is approximately RMB27,994 per year)

Although the original planned use of the leased land in Baiyi, Kunming and Yuzhou was for farming or for construction in rural areas collectively owned by farmers, we have never used such land for any construction or any business operations, and such land has become idle since we rented it. We undertake not to use such land for any purposes which are not consistent with its original planned use in the future. As advised by our PRC Legal Advisers, given the aforesaid status of the said land, our renting and occupying of the said land, for purposes not inconsistent with its planned use, do not constitute any non-compliance with the relevant PRC laws.

We have engaged our PRC Legal Advisers to conduct an interview with the Bureau of Land and Resources of Yuzhou (禹州市國土資源局) (including its agencies) to determine the likelihood of penalties and current practice of the authority with respect to interpretation and implementation of the relevant laws and regulations. Our PRC Legal Advisers are of the view that the bureau is the competent land administrative authority for Evergreen Factory (YZ) on these matters. The bureau confirmed in the interview that it does not think the lease of the relevant land whose original use plan is for construction in rural areas collectively owned by farmers constitutes non-compliance as we currently are just occupying the relevant land and are not actually using such land for any construction or business operations.

Leased buildings in Dongguan, Shenzhen and Guangzhou

In addition, the buildings leased by Evergreen Factory (DG), Shenzhen Evergreen and Guangzhou Dong Jin as offices and workshops do not have valid building ownership certificates. As advised by our PRC Legal Advisers, the relevant lease agreements may be deemed invalid or other third parties may claim lessors' rights against us. Guangzhou Dong Jin moved from the leased building when the lease agreement expired, and it will not renew that lease. We are planning to relocate the operations of Shenzhen Evergreen and Guangzhou Dong Jin to Dongguan. For details, see “– Our Business Strategies – Enhance and expand our design, research, development and other valued-added services” and “Future Plans and Use of Proceeds”.

In consideration of the above, our Directors are of the view that the use of the said leased lands and buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial condition as a whole.

BUSINESS

Properties Currently Under Construction, to be Constructed or to be Purchased

As at the Latest Practicable Date, we had construction underway in Bangladesh on a property with a total size 40,000 sq.m. with a projected total construction cost of approximately HK\$60.0 million, of which approximately HK\$35.0 million has already been utilised. The construction cost is expected to be funded by the proceeds from the Global Offering.

As at the Latest Practicable Date, we planned to commence the construction of three facilities, namely Bleaching and Dyeing Complex, UEPZ Printing Facility and UEPZ Carton Facility, by the end of 2017, respectively. The projected total construction cost is approximately HK\$193.0 million, which is expected to be funded by (i) the proceeds from the Global Offering, (ii) cash from operating activities, and (iii) external funding sources.

We plan to find and purchase a facility in Dongguan, Guangdong with an aggregate GFA of approximately 10,000 sq.m. wherein we intend to relocate our research and display centre in Nantou, Shenzhen and also establish a logistics centre. The total cost for this portion of the project is projected to be approximately HK\$40.0 million, out of which HK\$25.0 million will be funded by the proceeds from the Global Offering and the remaining part will be funded by our internal resources and/or loan facilities by commercial banks.

SEASONALITY

Only our Halloween product segment is subject to seasonal fluctuations. Our sales of Halloween products, which comprise specially designed hair goods and costumes, are driven largely by the Halloween celebration which occurs on or about 31 October of every year. As a result, we experience high sales volumes of these products from April to August each year. Notwithstanding the seasonality of the sale of Halloween products, through production planning we can maintain a steady production volume throughout the year.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret, licences and other intellectual property laws as well as confidentiality agreements with our employees and others to protect our product design, trade secrets and other intellectual property rights. As at the Latest Practicable Date, we had six registered trademarks in China, three registered trademarks in Hong Kong and four trademarks registered in other countries, including the United States and Japan, which we consider to be material to the business of our Group. As at the same date, we also had one application in Hong Kong, which we consider to be material to the business of our Group. As at the same date, we had seven principal domain names used by our Group in our business operations.

For details of our intellectual property portfolio, see “Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights of our Group” in Appendix IV.

We have entered into a know-how licence agreement and a trademarks licence agreement with ARCOS Die Haarprofis Handels – GmbH, our Strategic Partner and a German company specialised in the development of hair goods, in particular hair extensions.

BUSINESS

The principal terms of the know-how licence agreement are as follows:

- Our Strategic Partner has granted us the non-exclusive licence to use its know-how for the manufacture and sale of wigs, toupees and hair extensions in our activity territories.
- We will pay our Strategic Partner royalties of US\$10,000 per month.
- If necessary, our Strategic Partner may occasionally provide training seminars to hairstylists, thereby helping us promote our high-end human hair extensions.
- The know-how licence agreement is for a minimum term of five years from 1 July 2016, subject to automatic renewal at the end of each calendar year unless three months' prior notice in writing has been given by either party at the end of a calendar month.

We primarily use the said know-how in the manufacture and sale of our high-end human hair extensions.

The principal terms of the trademarks licence agreement are as follows:

- Our Strategic Partner has granted us the non-exclusive licence to use its trademarks for the manufacture and sale of wigs, toupees and hair extensions in our activity territories.
- We will pay our Strategic Partner royalties of US\$1.00 per product sold with its trademarks.
- The trademarks licence agreement is for a minimum term of 30 years from 1 August 2016, subject to automatic renewal at the end of each calendar year unless three months' prior notice in writing has been given by either party at the end of a calendar month.

We intend to use our Strategic Partner's trademarks in the sale of our high-end human hair extensions in Asia. Up to the Latest Practicable Date, we had not sold any products with our Strategic Partner's trademarks.

We have licensed know-how from our Strategic Partner since 1993. During the Track Record Period, we did not breach any provision of the know-how licence agreement or the trademarks licence agreement that could result in a material adverse effect on our operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been sued for infringement of intellectual property rights by any third party. As at the Latest Practicable Date, we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us.

BUSINESS

EMPLOYEES

As at 31 December 2016, we had 13,812 full-time employees. A majority of our employees work at our Bangladesh Production Base. The following table sets forth a breakdown of our employees by function as at the dates indicated.

	As at 31 December		
	2014	2015	2016
Management	67	69	82
General and Administration	633	720	793
Product Design, Research and Development	176	219	250
Sales and Marketing	70	75	89
Manufacturing Development	25	31	32
Quality Control	215	232	267
China Production Employees	636	501	439
Bangladesh Production Employees	6,629	12,475	11,860
Total	8,451	14,322	13,812

We believe that our success depends heavily upon our employees’ provision of consistent, quality and reliable service. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place strong emphasis on training our employees. We provide on-site training periodically and across operational functions, including introductory training for new employees, technical training, professional and management training, team building and communication training.

We have created a substantial pool of skilled workers. Our employees can rotate through various stages of the manufacturing processes in different product types to advance their training. New employees at our factory may begin their career with products that are less skill intensive, such as handling synthetic fibres for mass-produced Halloween products. As their skills develop, they may be promoted to producing higher-end products that require a higher level of skills, such as our high-end human hair extensions. Our employees and workers may also develop their skills through a rotation through different production stations or product types. As a result, we believe we have a stable pool of skilled employees, which, in turn, allows our customers to rely more confidently on our production capability and product quality.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, and grounds for termination. We have designed an evaluation system to assess the performance of our employees. This system forms the basis of our determinations of whether an employee should receive salary raises, bonuses or promotions. Pursuant to regulations in each of the local jurisdictions in which we operate, we pay our employees at or above the minimum wage rates stipulated by applicable laws and regulations. We train and promote our technical personnel internally, which we believe leads to greater employee stability and loyalty.

Pursuant to regulations in each of the local jurisdictions in which we operate, we also contribute to various employee benefit plans. Employee benefits covered by these arrangements include employee benefits required by applicable laws and regulations as well as incentives for increasing production quantity, accommodations, meals and travel allowances. Except as disclosed in “– Licences, Regulatory Approvals and Compliance – Non-compliance”, we also contribute to social security insurance covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and maternity insurance (where applicable) as well as a housing fund for our employees in China according to the relevant PRC laws and regulations. For employees in Bangladesh, we are not currently subject to any compulsory social insurance contribution.

ENVIRONMENTAL, HEALTH AND SAFETY

We have been, and intend to continue to be, committed to observing environmental protection and safety regulations in all of our business activities to ensure our operations comply with applicable regulations. We have established environment, health and safety, or EHS, management systems and procedures to ensure compliance with relevant laws and regulations.

Our customer may require us to test our products for certain levels of chemicals and heavy metals. We also ask our suppliers to provide third party reports concerning the state of the chemical compound used in our raw materials.

We are subject to environmental laws and regulations in China and Bangladesh including the Environmental Protection Law of China and the Bangladesh Environment Conservation Act of 1995 (the “ECA”) and the Environment Rules of 1997. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, and water and waste discharge. We generate and discharge pollutants such as waste water in manufacturing activities and are subject to environmental laws and regulations. The PRC environmental laws and regulations require that environmental reports shall be submitted to the relevant department and approval must be obtained before any construction can commence. Under the ECA, we are required to obtain an environmental clearance certificate before our industrial unit or project is established or undertaken. We consider the protection of the environment to be important and have implemented measures in the operations of our business to ensure our compliance with all applicable requirements under the applicable environmental laws and regulations. During the Track Record Period and up to the Latest Practicable Date, according to our PRC Legal Advisers and Bangladesh Legal Advisers, we were not found to have been subject to any material penalties by the PRC or Bangladesh regulatory authorities regarding health and occupation safety and production safety.

As at the Latest Practicable Date, we have not received any notifications or warnings from any governmental authorities in China or Bangladesh or any complaint from our customers or any other parties in respect of any environmental protection issues. We had not been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations that could have a material adverse effect on our production. As advised by our PRC Legal Advisers and our Bangladesh Legal Advisers, save for those disclosed under “– Licences, Regulatory Approvals and Compliance – Non-compliance”, we have received all material permits, licences and approvals relating to environmental protection and safety production in all material respects in both China and Bangladesh, respectively, during the Track Record Period.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to various corporate social responsibility programmes and value our corporate social responsibilities. We have taken the following initiatives:

- We held a rice donation programme in Bangladesh to donate rice to the elderly residing near our production centres in Bangladesh.
- Since 2015, we have donated to an institute for the differently abled children in Bangladesh.
- In 2012 and since 2014, we have donated to the China Oxford Scholarship Fund regularly.

BUSINESS

During the Track Record Period, we made charitable donations in the aggregate amount of approximately HK\$2.8 million.

INSURANCE

We maintain customary insurance policies within our industry to safeguard against risks and unexpected events. We have purchased insurance covering us against the risk of loss or damage to our facilities, equipment and our inventories (including raw materials and finished goods) caused by certain accidents and natural disasters, such as fire. We also maintain marine cargo insurance to cover shipment of raw materials and semi-finished products. In addition, we have purchased limited product liability insurance for claims of bodily injury and/or property damage caused by our products. For details of the risk relating to our insurance coverage, please also refer to “Risk Factors – Risk Relating to our Business and Industry – Our business, financial condition, results of operations and prospects could be adversely affected in the event of fire, flood, earthquakes, political unrest, acts of wars, outbreak of contagious or epidemic diseases and other natural disasters, and we currently only have limited insurance coverage over such interruptions, damages, or losses”.

We maintain key-man life insurance policies providing insurance coverage for one of our Directors. We also maintain medical insurance and work-related injury insurance for our employees.

We believe that our insurance policies are adequate and consistent with the common industry practice. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material insurance claims against us.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of any material importance, and there was no litigation, arbitration or claim of material importance pending or threatened against us that could have a material adverse effect on our financial condition or results of operations.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE

Our Directors, after consultation with our PRC Legal Advisers and our Bangladesh Legal Advisers, confirm that, as at the Latest Practicable Date, save for those disclosed under “– Licences, Regulatory Approvals and Compliance – Non-compliance”, we had obtained all material licences, approvals and permits from relevant PRC authorities and Bangladesh authorities, respectively, for our operations in China and Bangladesh. The following table sets forth details of our material permits and licences.

<u>Licence/permit/certificate</u>	<u>Holder</u>	<u>Effective date</u>	<u>Expiration date</u>
China			
The certificate of record for manufacturers’ self-declaration (自理報檢單位備案登記證書)	Evergreen Factory (YZ)	22 April 2008	N/A
	Kunming Evergreen	1 January 2005	N/A
	Shenzhen Evergreen	11 October 2012	N/A
	Evergreen Factory (SZ)	18 October 2010	N/A
Registration certificate of the Customs of the People’s Republic of China for Customs Declaration Entities (中華人民共和國海關報關單位註冊登記證書)	Evergreen Factory (YZ)	3 September 2014	N/A
	Shenzhen Evergreen	16 June 2015	N/A
	Kunming Evergreen	17 November 2015	N/A
	Evergreen Factory (SZ)	25 August 2016	N/A
The registration form of foreign trade operator report (對外貿易經營者備案登記表)	Shenzhen Evergreen	10 July 2012	N/A
	Evergreen Factory (SZ)	10 November 2009	N/A

BUSINESS

<u>Licence/permit/certificate</u>	<u>Holder</u>	<u>Effective date</u>	<u>Expiration date</u>	
Bangladesh				
Trade licence	Evergreen Factory	11 July 2016	10 July 2017	
	Gold Timing	11 July 2016	30 June 2017	
	Dong Jin (BD)	11 July 2016	30 June 2017	
	Gold Rocket	25 July 2016	30 June 2017	
	Gold Soil	25 July 2016	30 June 2017	
	Trillion Gold	25 July 2016	30 June 2017	
	Million Gold	11 July 2016	30 June 2017	
BEPZA registration	Evergreen Factory	23 November 2009	N/A	
Membership Certificate of the Nilphamari Chamber of Commerce.	Evergreen Factory	12 July 2016	30 June 2017	
	Gold Timing	12 July 2016	30 June 2017	
	Million Gold	12 July 2016	30 June 2017	
Fire licence.	Evergreen Factory	25 August 2014/ 4 May 2015/ 14 May 2015	30 June 2017	
		Gold Timing	1 July 2009/ 1 July 2010/ 1 July 2014	30 June 2017
			Dong Jin (BD)	11 July 2016
	Trillion Gold	1 July 2016	30 June 2017	
		Million Gold	1 July 2016	30 June 2017
	Bonded warehouse licence renewal	Evergreen Factory	5 May 2016	4 May 2018
		Dong Jin (BD)	24 August 2016	3 June 2018
Electronic taxpayer's identification number certificate	Evergreen Factory	26 December 2013	N/A	
	Gold Timing	24 December 2013	N/A	
	Dong Jin (BD)	28 December 2013	N/A	
	Gold Rocket	26 December 2013	N/A	
	Gold Soil	28 December 2013	N/A	
	Trillion Gold	26 December 2013	N/A	
	Million Gold	28 December 2013	N/A	
Factory licence	Gold Timing	30 August 2015	30 June 2017	
Industrial Registration with the Board of Investment.	Gold Timing	8 August 2010	N/A	
	Trillion Gold	29 May 2016	N/A	
	Million Gold	29 May 2016	N/A	
Renewal of bond licence	Gold Timing	24 August 2016	3 June 2018	
Environment clearance certificate	Gold Timing	24 May 2016	23 May 2018	
VAT registration certificate	Gold Timing	3 July 2013	N/A	
	Dong Jin (BD)	29 April 2013	N/A	
	Gold Rocket	19 February 2015	N/A	
	Gold Soil	1 March 2016	N/A	
	Trillion Gold	5 September 2016	N/A	
	Million Gold	1 March 2016	N/A	

Note: We will apply for renewal upon expiry of each license. Our Directors are of view that there is no obstacle in renewal of such licenses based on our past experience and discussion with local authorities to date.

BUSINESS

Certain of our material permits and licences have a limited period of validity. We monitor the validity status of our permits and licences, and make timely applications for the renewal of relevant permits and licences prior to the expiration dates. We did not experience any material difficulty in obtaining or renewing the required permits and licences or our business operations during the Track Record Period and up to the Latest Practicable Date. We do not expect any material impediment in renewing our material permits and licences as they expire in the future.

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 rectifying actions and preventive measures that we have taken in respect of such matters.

Non-compliance incident and reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken	Potential/actual impact on our operations and financial condition
<p>During the Track Record Period, Kunming Evergreen, Evergreen Factory (YZ), Shenzhen Evergreen, Evergreen Factory (SZ), Evergreen Factory (DG) and Guangzhou Dong Jin (the "PRC Subsidiaries") had not made any or full social insurance payments and/or housing provident fund contributions for certain of their employees ("Social Welfare Related Non-compliance"). The PRC Subsidiaries did not make any social insurance payments for 487, 460 and 403 employees, or housing provident fund contributions for 521, 494 and 403 employees, as at 31 December 2014, 2015 and 2016, respectively. We estimate that for the years ended 31 December 2014, 2015 and 2016, the potential non-compliance contributions amount to approximately HK\$3.5 million, HK\$4.1 million and HK\$3.8 million, respectively, in respect of social insurance payments, and HK\$0.8 million, HK\$0.8 million and HK\$0.7 million, respectively, in respect of housing provident fund contributions. In addition, the PRC Subsidiaries under-contributed social insurance and housing provident amounts for their other employees during the Track Record Period as their social insurance payments and housing provident fund contributions were only based on a base number accepted by the relevant local authorities instead of actual salary of their employees. We estimate that for the years ended 31 December 2014, 2015 and 2016, the potential under-contributions amount to approximately HK\$0.2 million, HK\$0.1 million and HK\$1.2 million, respectively, in respect of social insurance payments, and HK\$0.3 million, HK\$0.3 million and HK\$0.3 million, respectively, in respect of housing provident fund contributions.</p> <p>The non-compliance for the non-contribution was primarily due to the unwillingness of most of our employees to participate in making the corresponding employee contributions because they have already enrolled directly to the New Rural Cooperative Medical Insurance (新型農村合作醫療保險) and the New Rural Pension Insurance (新型農村養老保險) and/or because they own self-built houses in rural areas. Where they did not so participate, we could not and did not make the corresponding payments as the employer.</p>	<p>Our PRC Legal Advisers have advised us that (i) if an employer fails to pay the full amount of social insurance premiums, the social insurance premium collection institution may order it to contribute any overdue amount or the deficit within a stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is due. If payment is not made within the stipulated period, the relevant administration department may impose a fine equal to one to three times the amount of overdue payment; and (ii) if an employer fails to pay its full housing provident fund contribution, the competent housing provident fund management centre may order it to contribute the overdue amount or the deficit within a stipulated period. The relevant housing provident fund authority may apply to the PRC courts for enforcement of such payments for any further failure to make such payments.</p> <p>As at the Latest Practicable Date, no administrative action, fine or penalty has been imposed by relevant government authorities with respect to the Social Welfare Related Non-compliance, nor has any order been received by us to settle any outstanding social insurance payments or housing provident fund contributions.</p> <p>There has not been any dispute between our employees and us in connection with the payment of social insurance and/or the contribution of housing provident funds.</p>	<p>The PRC Subsidiaries made efforts to persuade all their employees to pay social insurance and contribute to the housing provident fund so that the PRC Subsidiaries can pay or contribute corresponding amounts for them. The PRC Subsidiaries also enhanced the awareness of their employees about the importance of participation in the social insurance and housing provident fund schemes. All of the PRC Subsidiaries have been paying the social insurance and housing provident fund for all of their employees in the full amount since February or March 2017 except that Shenzhen Evergreen and Evergreen Factory (SZ) will be able to pay only the housing provident fund in full amounts in July 2017 at the earliest. As advised by our PRC Legal Advisers, pursuant to the relevant regulations under the Interim Measures of Shenzhen for Management of Housing Provident Fund (《深圳市住房公積金管理暫行辦法》) and the Guidelines on Adjustments to the Base Number of Contribution (《繳存基數調整業務辦理指南》) published by the Shenzhen Housing Provident Fund Management Center on its official website, the local housing authority in Shenzhen only allows adjustment to the base number of contribution once within one housing provident fund year (from 1 July each year to 30 June next year) for the employees involved. Shenzhen Evergreen and Evergreen Factory (SZ) adjusted the base number of housing provident funds for their employees in August 2016. As advised by our PRC Legal Advisers, Evergreen Factory (SZ) and Shenzhen Evergreen will be able to adjust the base number of contribution of housing provident fund for their employees in July 2017 at the earliest. The Company has undertaken that it will ensure that Shenzhen Evergreen and Evergreen Factory (SZ) make such adjustments as soon as permitted by the relevant local authorities (that is, in July 2017) and pay full amount of social insurance and housing provident fund thereafter. We will disclose the rectification progress in our interim and/or annual reports subsequent to the Listing.</p> <p>We have obtained confirmations (in writing and/or interviews) from the relevant local human resources and social security bureaus and housing provident fund management centres in Kunming, Yuzhou and Shenzhen, which are the relevant competent local authorities according to our PRC Legal Advisers, that there were no unpaid social insurance premiums of Evergreen Factory (DG) and Guangzhou Dong Jin, and from the relevant housing provident fund management centres that Guangzhou Dong Jin had not been subject to administrative sanctions and that Evergreen Factory (DG) had not breached any relevant PRC laws and regulations.</p> <p>We also obtained written confirmations from the relevant local human resources and social security bureaus, which are the relevant competent local authorities according to our PRC Legal Advisers, that there were no unpaid social insurance premiums of Evergreen Factory (DG) and Guangzhou Dong Jin, and from the relevant housing provident fund management centres that Guangzhou Dong Jin had not been subject to administrative sanctions and that Evergreen Factory (DG) had not breached any relevant PRC laws and regulations.</p> <p>Relevant government authorities in Kunming and Yuzhou, which are the relevant competent local authorities according to our PRC Legal Advisers, have confirmed in writing or in the interviews that they would not initiate any request for payment of any outstanding balances from Kunming Evergreen or Evergreen Factory (YZ) or impose any fine on them solely for the partial payment/contribution.</p>	<p>Our PRC Legal Advisers have conducted interviews with and/or obtained written confirmations issued by the relevant local human resources and social security bureaus and/or housing provident fund management centres regarding the relevant non-compliance incidents. Based on the written confirmations from or interviews with the relevant social security bureaus and housing provident fund management centres and/or the PRC Subsidiaries' payment records for social insurance and housing provident fund, our PRC Legal Advisers are of the view that the PRC Subsidiaries are in compliance with the relevant PRC laws and regulations with respect to social insurance payment and housing provident fund contribution except that Shenzhen Evergreen and Evergreen Factory (SZ) will be in compliance with such laws and regulations after they adjust the base number to make full contribution to the housing provident fund.</p> <p>Given the circumstances, the written confirmations and interviews, and the legal advice from our PRC Legal Advisers, our Directors are of the view that the risk that the relevant local human resources and social security bureaus and housing provident fund management centres will initiate a request for the relevant companies to make the outstanding social insurance payments and housing provident fund contributions for these PRC employees, or penalise us for a failure to do so, is relatively low.</p> <p>During the Track Record Period, we have made a provision in the aggregate sum of HK\$11.3 million for the outstanding balance of social insurance payments and housing provident fund contributions. In light of the confirmations from the competent local human resources and social security bureaus and/or housing provident fund management centres and the legal advice from our PRC Legal Advisers, our Directors believe that we have made sufficient provision for the outstanding balance of social insurance payments and housing provident fund contributions.</p>

Non-compliance incident and reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken	Potential/actual impact on our operations and financial condition
<p>The non-compliance for the under-contribution was primarily due to different interpretation of the relevant laws and regulations.</p>	<p>Our PRC Legal Advisers have advised that failure to obtain pollutant discharge permits or environmental inspection certificates may subject us to fines and penalties imposed by the relevant environmental authorities, and we may be required to suspend the use of production facilities or cease operations until such permits/certificates have been obtained.</p> <p>As at the Latest Practicable Date, we have not been subject to any administrative action, fine or penalty by the relevant government authorities in this respect.</p>	<p>Kunming Evergreen upgraded the relevant environmental facilities, and obtained from Kunming Panlong Environmental Bureau the environmental inspection certificate in respect of the upgraded facilities and the renewed pollutant discharge permit on 19 October 2016 and 1 December 2016, respectively. Kunming Panlong Environmental Protection Bureau, the competent local authority according to our PRC Legal Advisers, confirmed in an interview with our PRC Legal Advisers that our operational activities during the period of rectification do not constitute any violation of the relevant environmental laws and regulations.</p> <p>On 16 June 2017, Yuzhou Bureau of Environmental Protection confirmed in writing that (i) Evergreen Factory (YZ) is an enterprise governed by the bureau; (ii) Evergreen Factory (YZ) completed the upgrade of its environmental facility and the bureau completed the environmental inspection; (iii) the pollutant discharge environmental facility of Evergreen Factory (YZ) has complied with the standards set out in the applicable national laws and regulations on environmental protection and pollutant discharge, and it passed the completion-based check and acceptance of environmental protection on 23 December 2016; (iv) Evergreen Factory (YZ) has applied for a pollutant discharge permit, and there is no obstacle for the bureau to issue the pollutant discharge permit to Evergreen Factory (YZ); (v) as China is reforming its pollutant discharge permit system and unifying the verification and issuance requirements of the pollutant discharge permit, the bureau will implement the management of pollutant discharge permit in batches and steps in accordance with the national requirements; (vi) in accordance with the consultation paper for management directory of classed pollutant discharge permit issued by the National Ministry of Environmental Protection, the feather (down) processing industry belongs to the general management industry and the management of pollutant discharge permit shall be implemented by 2020; (vii) the verification and issuance of the pollutant discharge permit for that industry is suspended as the nation has not had any specific arrangement for it, and the bureau is not sure when it can verify and issue the pollutant discharge permit to Evergreen Factory (YZ); and (viii) Evergreen Factory (YZ) can maintain its operation as usual before the bureau issues a pollutant discharge permit, and the bureau will not order Evergreen Factory (YZ) to cease operations or prohibit Evergreen Factory (YZ) from discharging pollutants or impose fines on Evergreen Factory (YZ) due to the absence of the pollutant discharge permit.</p>	<p>In addition, our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.</p> <p>For the reasons discussed above, our Directors are of the view that this incident has no material adverse impact on our business operations or financial condition as a whole.</p> <p>Based on written confirmations issued by or the interview conducted with the relevant local environmental authorities, our PRC Legal Advisers are of the view that the risk of us being penalised by the relevant local environmental authorities is relatively low during the period of rectification.</p> <p>In addition, our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.</p> <p>For the reasons discussed above, our Director are of the view that this incident has no material adverse impact on our business operations or financial condition as a whole.</p>

Non-compliance incident and reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken	Potential/actual impact on our operations and financial condition
<p>Kunming Evergreen has been operating a sub-factory ("Xiaojie Sub-factory") since 2008 in Xiaojie Town, Songming County without obtaining a pollutant discharge permit, and other environmental and fire safety approvals.</p> <p>The non-compliance was primarily due to inconsistency of interpretation and implementation of the relevant laws and regulations by local government authorities, under which the local environmental and safety production authorities historically did not require Xiaojie Sub-factory to obtain the environmental and fire safety approvals for its production facilities when Xiaojie Sub-factory first commenced operations in 2008.</p>	<p>Our PRC Legal Advisers have advised us that without obtaining a pollutant discharge permit and other environmental and fire safety approvals for Xiaojie Sub-factory, we may be required to cease operations at Xiaojie Sub-factory, and/or may be subject to confiscation of illegal gains and imposition of fines and/or other penalties and administrative actions.</p> <p>As at the Latest Practicable Date, we have not been subject to any administrative action, fine or penalty by the relevant government authorities in this respect.</p>	<p>Our PRC Legal Advisers had conducted interviews with the relevant competent local environmental authority and safety production authority, respectively, to determine the likelihood of penalties in light of their current practice with respect to interpretation and implementation of the relevant laws and regulations.</p> <p>The relevant environmental authority confirmed in the interview that: (1) we have met the environmental requirements in essence; (2) no accidents in respect of environment have occurred since the sub-factory's operation; and (3) it will not impose penalties on us or require us to cease operations or suspend the use of production facilities during the period that we are taking remedial measures to rectify the situation as required.</p> <p>The relevant safety production authority confirmed in the interview that: (1) we have met the safety production requirements in essence and passed daily inspections; (2) no accidents in respect of safety production have occurred in the sub-factory since 2013; and (3) it will not impose penalties on us or require us to cease operations or suspend the use of production facilities.</p>	<p>Our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.</p> <p>Based on the interviews with the relevant government authorities, our PRC Legal Advisers are of the view that the risk of the company being penalised by the relevant local government authorities is relatively low as we have taken remedial measures to rectify the situation as required. For the reasons stated above, our Directors are of the view that such incident will not have a material adverse effect on our business operations or financial condition as a whole.</p>
		<p>To rectify this incident relating to environmental approvals, Xiaojie Sub-factory filed the environmental assessment report according to the relevant laws and regulations, completed the construction of a sewage treatment station and its related environmental facilities as required, and passed the environmental inspection on 14 March 2017. On 24 March 2017, Xiaojie Sub-factory obtained the pollutant discharge permit issued by Kunming Songming Environmental Bureau.</p>	
		<p>As the relevant local authority required the submission of the planning permits and construction permit before it reviewed the fire safety design and conducts the inspection procedure, to rectify the inadequacy relating to fire safety approvals, Xiaojie Sub-factory obtained the planning permits and the construction permit on 19 December 2016 and 31 March 2017, respectively. Following the inspection conducted by Kunming Songming Public Security Fire Brigade and the completion of our fire control facilities, Xiaojie Sub-factory obtained the certificate for passing fire control assessments on 13 June 2017.</p>	

Non-compliance incident and reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken	Potential/actual impact on our operations and financial condition
<p>Evergreen Factory (BD), Dong Jin (BD), Gold Timing, Trillion Gold and Million Gold (the “ECC Companies”) had not obtained certain environmental clearance certificates from the Department of Environment (the “DOE”) prior to the commencement of their projects as stipulated under the Bangladesh Environment Conservation Act, 1995 and the Environment Conservation Rules, 1997 (the “Environmental Laws”).</p> <p>The non-compliance was unintentional and due to the lack of clarity regarding the relevant laws and regulations in Bangladesh on environmental clearance, their scope and the requirements thereunder (including the category of industry recognised under the Environmental Laws).</p>	<p>Our Bangladesh Legal Advisers have advised us that operating a business without an environmental clearance certificate (i) may subject the defaulting company to a fine ranging from BDT 100,000 (HK\$10,120) to BDT 500,000 (HK\$50,600) and/or potential criminal liability for the respective Company’s directors and senior executives, and (ii) may prevent the defaulting company from being able to renew other licences.</p>	<p>By August 2016, the ECC Companies had applied for environmental clearance certificates.</p> <p>Gold Timing used to operate three factories named Unit-1, Unit-3 and Unit-4, and obtained an environmental clearance certificate for Unit-1 in May 2016. It applied to the DOE to subsume Unit-3 and Unit-4 under its environmental clearance certificate for Unit-1 in August 2016. However, due to delay in processing this application by the DOE, Gold Timing withdrew its application, closed Unit-3 and Unit-4 factories and relocated all its workers and other employees therein to Unit-1 factory in March 2017. Therefore, Gold Timing is not required to obtain any additional environmental clearance certificate.</p> <p>Evergreen Factory (BD) and Dong Jin (BD) obtained the environmental clearance certificates in November 2016. Trillion Gold and Million Gold obtained the environment clearance certificates in March 2017.</p>	<p>The ECC Companies had already obtained environmental clearance certificates. Prior to obtaining such certificates, they had paid the licence renewal fees on a regular basis, which have been accepted by the DOE. Considering all factors, our Bangladesh Legal Advisers are of the view that the risk of each of the ECC Companies being penalised by the DOE for operating factories before obtaining environmental clearance certificates is low. No wilful or serious misconduct of the directors and senior executives was involved. Given these reasons, our Bangladesh Legal Advisers are of the view that criminal liabilities are extremely remote and are very unlikely to be imposed. Additionally, any possible fine that would be imposed on ECC Companies would likely be well below the maximum fine that could be imposed.</p>
			<p>In addition, our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer as a result.</p> <p>Based on the above and the advice from our Bangladesh Legal Advisers, our Directors believe that the likelihood that we would be penalised is low and there would be no material adverse impact on our business operations or financial condition as a whole.</p>

Set forth below is a summary of our 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 incident and reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance	Potential/actual impact on our operations and financial condition
<p>Gold Timing, Dong Jin (BD), Gold Soil, Trillion Gold and Million Gold (the “Bangladesh Companies”) did not file returns with respect to their annual general meetings (“AGM”) with the Bangladesh Registrar of Joint Stock Companies and Firms (“RJSC”) as required under section 81 of the Companies Act for the periods 2014-2015 and 2015-2016.</p> <p>The incident was unintentional and due to the delay in the audit process caused by logistical issues encountered by the auditors while travelling to the geographically remote areas where the Bangladesh Companies are located.</p>	<p>As advised by our Bangladesh Legal Advisers: (i) each of the Bangladesh Companies and its officer who is in default for such non-compliance is subject to a fine of up to BDT 10,000 (HK\$1,012), and in case of a continuing default, with an additional fine of up to BDT250 (HK\$25.3) for each day such default continues; and (ii) the maximum penalty of such non-compliance as at the Latest Practicable Date is a fine of BDT80,750 (HK\$8,172).</p> <p>No fine has been imposed for such non-compliance as at the Latest Practicable Date.</p>	<p>For the periods 2014-2015 and 2015-2016, we filed the annual returns of all the Bangladesh Companies with the RJSC in November 2016. The public records maintained by the RJSC for the Bangladesh Companies had been updated by the end of January 2017. As advised by our Bangladesh Legal Advisers, since then, the Bangladesh Companies have duly complied with the return filing requirement and updated their public records maintained by the RJSC.</p>	<p>Having considered all relevant facts, our Bangladesh Legal Advisers are of the view that these are very minor offenses in terms of gravity, and the chance of sanctions or penalties in respect of such historical non-compliance is very low as the Bangladesh Companies had paid the applicable fee for the delay in filing annual returns, filed the relevant annual returns and updated their public records maintained by the RJSC by the end of January 2017.</p> <p>Based on the above and the advice from our Bangladesh Legal Advisers, our Directors believe that the likelihood that we would be fined is remote, and that any fine would not have a significant impact on our business operations or financial condition.</p> <p>In addition, our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify our Group against, among others, any costs, expenses or losses that our Group may suffer in relation to any regulatory non-compliance before the Listing Date.</p>

See “Statutory and General Information – E. Other Information – 11. Estate Duty, Tax and Other Indemnities” in Appendix IV for further details of the Deed of Indemnity. We will disclose the rectification progress in our interim and/or annual reports subsequent to the Listing.

On Going Compliance Measures

To prevent the recurrence of the above-mentioned non-compliance incidents and to ensure ongoing compliance with the relevant laws and regulations by our Group, we have implemented the following measures to enhance our internal control systems:

1. we have engaged an internal control consultant to perform an assessment of our internal controls and have taken relevant measures as recommended by such consultant to improve our internal control system. For details, see “– Internal Control and Risk Management” above;
2. Mr. Kwok Yau Lung Anthony, our executive Director and Chief Operating Officer and Ms. Leung Pui Yee, our Chief Financial Officer and company secretary, will assist our Board to identify, assess and manage the risks associated with our operations from time to time;
3. we will appoint China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser upon Listing to advise us on compliance matters in accordance with the Listing Rules;
4. Mr. Kwok Yau Lung Anthony, our executive Director and Chief Operating Officer and Ms. Leung Pui Yee, our Chief Financial Officer and company secretary, will review and update the compliance policies and procedures on an annual basis to ensure that the compliance policies and procedures are up-to-date and in accordance with the regulatory requirements;
5. Ms. Leung Pui Yee, our Chief Financial Officer and company secretary, will be assigned to ensure compliance with all the statutory filings and registration requirements under the laws of Bangladesh, the PRC and Hong Kong;
6. we will 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;
7. Mr. Kwok Yau Lung Anthony, our executive Director and Chief Operating Officer and Ms. Leung Pui Yee, our Chief Financial Officer and company secretary, will monitor our on-going compliance with the social insurance and housing provident funds contribution regulations and other applicable PRC laws and regulations and to oversee the implementation of any necessary measures and to seek external legal advice if necessary;
8. we provide our Directors and senior management with continuing training development programmes and/or updates regarding the relevant Bangladesh, PRC 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;
9. our existing internal control manager oversees our internal controls in Bangladesh, the PRC and Hong Kong to ensure our on-going compliance with the applicable legal and regulatory requirements and to seek legal advice from legal advisers on laws of Bangladesh, the PRC and Hong Kong if necessary; and
10. all of our management and staff are required to report to and/or notify our Directors promptly of any non-compliance or potential non-compliance events.

BUSINESS

Based on the above, our Directors are of the view that we have taken reasonable steps to establish an internal control system and procedures to enhance our Company's control on both working and management levels and that the above remedial measures and on-going compliance measures are sufficient and effective in preventing similar non-compliance incidents from re-occurring in the future. In light of the above, our Directors are of the view that the enhanced internal control measures we have adopted are adequate and effective for our operations.

Despite we had one systemic non-compliance incident, our Directors are of the view, and the Sole Sponsor concurs, that our Directors are able to meet the competence requirements under Rules 3.08 and 3.09 of the Listing Rules and our Company is suitable for listing for the following reasons:

- (a) The systemic non-compliance incident did not involve fraud or dishonesty nor did it raise any questions as to the integrity of our Directors;
- (b) The systemic non-compliance incident will not have any material adverse effect on our business operations or financial condition as a whole;
- (c) Our Controlling Shareholders have undertaken through the Deed of Indemnity to indemnify us against, among others, any costs, expenses or losses that we may suffer in relation to any regulatory non-compliance before the Listing Date;
- (d) Our Directors have procured Group companies incorporated in Bangladesh to rectify the systemic non-compliance by convening the general meetings and filing the annual returns with the RJSC, and the public records maintained by the RJSC had been updated by the end of January 2017;
- (e) Our Directors have propelled us to implement adequate and effective measures to enhance our internal control system to prevent the recurrence of the non-compliance incidents and to ensure our on-going compliance with the relevant laws and regulations;
- (f) We have engaged the IC Consultant to perform an assessment of internal controls over our business processes and have adopted measures as recommended by our consultant to mitigate our non-compliance risk; and
- (g) All our Directors attended training on the responsibilities and obligations of directors of a listed company in September 2016.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), Evergreen Holdings will directly own in total approximately 54.8% of the issued share capital of our Company. Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Each of the Felix Family Trust and the CLC Family Trust is a discretionary trust with the details set out below:

Name of trust	Name of settlor	Name of beneficiary(ies)
The Felix Family Trust	Mr. Chang Yoe Chong Felix	(1) Mr. Chang Chih Lung (2) Mr. Chang Ka Wai Aidan (a minor) (3) Mr. Chang Yoe Chong Felix's issues
The CLC Family Trust.	Mr. Chang Chih Lung	(1) Mr. Chang Yoe Chong Felix (2) Mr. Chang Yoe Chong Felix's issue

Accordingly, we consider Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Management, FC Investment, CLC Management, CLC Investment, Golden Evergreen and Evergreen Holdings as our Controlling Shareholders for the purpose of the Listing Rules.

Please also refer to the section headed “Directors and Senior Management” for further details of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix, each a Director.

EXCLUDED BUSINESSES

Our Group principally engages in the design, manufacture and sale of hair goods. Prior to the disposal below, we also held certain properties (the “**Excluded Properties**”), including industrial and residential buildings and car parks, in Hong Kong. These Excluded Properties are unrelated to our hair goods business. To facilitate the listing of our hair goods business and to expedite the implementation our strategic direction and development plan, in April 2015 we disposed of such properties to the subsidiaries of Ventures Day (which will become connected persons of our Company upon our Listing) for a total consideration of HK\$141.2 million, which is equal to the properties’ carrying amounts.

As at 31 December 2014, the Excluded Properties were carried at their fair value of approximately HK\$139.2 million. Some of the Excluded Properties are investment properties which were held to earn rentals and/or for capital appreciation (the “**Investment Properties**”). For the year ended 31 December 2014, the gross rental income from the Investment Properties amounted to approximately HK\$2.0 million.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As the Excluded Properties are unrelated to our hair goods business, our Directors are of the view that there is a clear delineation between the excluded businesses represented by the Excluded Properties on one hand and our business on the other.

None of our Controlling Shareholders or Directors is interested in any business which competes or is likely to compete, 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, our Controlling Shareholders have 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 business. For details of the Deed of Non-Competition, see “– Deed of Non-Competition”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their close associates after the Global Offering.

Management Independence

The Board comprises five executive Directors, three non-executive Directors and four independent non-executive Directors. Each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix, our Director, is also a Controlling Shareholder and holds directorships in certain of our Controlling Shareholders, including Evergreen Holdings, Golden Evergreen, FC Investment and CLC Investment. Notwithstanding this, our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board. See “Directors and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests to arise. Further, we believe our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. We have also adopted certain corporate governance measures for conflict situation, see “– Corporate Governance Measures” for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

During the Track Record Period, our Group sold hair goods to Eastern Earnings (China) Company Limited of which Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix are the directors and shareholders. For the years ended 31 December 2014, 2015 and 2016, the total consideration paid by Eastern Earnings (China) Company Limited to our Group amounted to HK\$0.7 million, HK\$0.8 million and HK\$0.3 million, respectively. Eastern Earnings (China) Company Limited ceased its business in hair goods and the above transaction has been discontinued since 1 July 2016.

During the Track Record Period, Evergreen Factory ordered computer products and services from Hopcom Software Computer Limited, a company controlled by Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix. For the three years ended 31 December 2014, 2015 and 2016, the total consideration paid by Evergreen Factory for computer products and services amounted to approximately HK\$0.7 million, HK\$1.1 million and HK\$1.1 million, respectively. Evergreen Factory entered into a computer products and services agreement with Hopcom Software Computer Limited, details of which are set out in the section “Connected Transactions” in this prospectus. Our Directors estimate that the annual amount to be paid by Evergreen Factory under such agreement will not exceed approximately HK\$1.5 million and HK\$1.6 million for the two years ending 31 December 2017 and 2018, respectively. As such, our Directors are of the view that our operational independence will not be affected, given the size of the continuing connected transactions is insignificant.

Although our Controlling Shareholders will retain a controlling interest in our Company after our Listing, we have full rights to make all decisions on, and to carry out, our own business operation independent of our Controlling Shareholders and their respective close associates. We do not rely on the Controlling Shareholders on relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital, facilities and employees to operate independently from our Controlling Shareholders or their close associates.

Our organisational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective and independent operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial Independence

Our Group has its own internal control, accounting and financial management system, accounting and financial department, independent treasury functions for cash receipts and payment and we make financial decision according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, there were certain amounts due from/to our Controlling Shareholders and their close associates. During the Track Record Period and up to the Latest Practicable Date, our banking facilities were secured by unlimited guarantees by Mr. Chang Yoe Chong Felix, a subordination agreement that the amounts due to Directors advanced by them to our Company would be subordinated to the advance from a bank (the “**Subordination Agreement**”) and the land and buildings of Ventures Day’s subsidiaries, close associates of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix. See notes 29 and 40 to the Accountants’ Report in Appendix I for more details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

All loans, advances and balances due from/to our Controlling Shareholders and their close associates have been fully settled. All the lending banks have agreed in principle that all guarantees or securities provided by Mr. Chang Yoe Chong Felix and his close associates and the charges on the land and buildings of Ventures Day's subsidiaries for our borrowing will be fully released and the Subordination Agreement will be terminated subject to Listing and replacement by corporate guarantee from our Company. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their close associates.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for the benefit of each of its subsidiaries), under which our Controlling Shareholders have undertaken to our Company that they will not, and will procure that none of their respective close associates (other than members of our Group) will, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on any of their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of our Group),

- carry on, engage, participate, develop, acquire, invest in or hold any right or interest in or render any services to or be engaged, concerned or interested in, or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with our Business (as defined below) (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, and whether for profit, reward or otherwise; and
- take any action which interferes with or disrupts or may interfere with or disrupt our Business including, solicitation of business from, or endeavor to entice away from or discourage from dealing with our Group any of the then current customers, suppliers or directors, consultants, managers or employees from any members of our Group.

For the purpose of the Deed of Non-Competition, our “Business” is defined to cover (a) the conduct, directly or indirectly, of the research and development, design, production and manufacture, sales and distribution of hair goods and Halloween products; and (b) any other business conducted by us from time to time.

The Deed of Non-Competition does not apply to the relevant Controlling Shareholder's holding in the shares of a company where:

- the total number of shares held by our Controlling Shareholders does not exceed ten per cent. of the issued shares of such company which is or whose holding company is listed on a stock exchange; or
- any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than ten per cent. of its consolidated turnover or consolidated assets, as shown in its latest audited accounts.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The respective obligations of each of our Controlling Shareholders under the Deed of Non-Competition shall terminate on the earliest of (i) our Shares cease to be listed on the Stock Exchange; and (ii) such Controlling Shareholder individually or jointly with its/his close associates (other than members of our Group), cease to hold or control or be interested in, directly or indirectly, 30 per cent. or more of the entire issued share capital of our Company (or are otherwise regarded as a controlling shareholder under the Listing Rules).

Our Controlling Shareholders have further undertaken to procure that any new business investment or other business opportunity relating to our Business (the “**Business Opportunity**”) identified by or made available to them or any of their close associates (except any members of our Group), they shall and shall procure that their close associates shall refer such Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Business Opportunity within 30 days of identifying the target company or business (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from the Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have an interest in the Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity (any Director who has actual or potential interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, the general market condition of our Business; if appropriate, the Independent Board may appoint independent financial and legal advisors to assist in the decision-making process in relation to such Business Opportunity;
- the Independent Board shall, within 30 days of receipt of the written notice referred above, inform the relevant Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
- the relevant Controlling Shareholders shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board declining such Business Opportunity or if the Independent Board fails to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by our Controlling Shareholders, they shall refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further Undertakings

Our Controlling Shareholders have further undertaken to, among others:

- procure all relevant information relating to the implementation of the Deed of Non-Competition in their possession and/or the possession of any of their close associates to be provided to us;
- provide all information requested by our Company (or our auditors) which is necessary for an annual review by the independent non-executive Directors of the Controlling Shareholders' compliance with the Deed of Non-Competition and the enforcement of the same;
- procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through the annual report, or by way of announcements to the public; and
- provide a written confirmation in respect of their compliance and that of their close associates with the non-competition undertakings under the Deed of Non-competition and consents to the inclusion of such confirmation in our Company's annual report.

Our Controlling Shareholders, for themselves and on behalf of their close associates (except any members of our Group), have also acknowledged that we may be required by the relevant laws, regulations, rules of the stock exchange(s) on which we may be listed and the regulatory bodies to disclose, from time to time, information on the Business Opportunity, including but not limited to disclosure in public announcements or our annual report or decision made by our Company to pursue or decline the Business Opportunity and have agreed to the disclosure to the extent necessary to comply with any such requirement.

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to provide information as set out in “– Further Undertakings” above;
- our Controlling Shareholders have undertaken to provide a written confirmation in respect of their compliance and that of their close associates with the non-competition undertakings under the Deed of Non-Competition and consents to the inclusion of such confirmation in our Company's annual report;
- our independent non-executive Directors will review on an annual basis our Controlling Shareholders' compliance with the Deed of Non-Competition;
- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through the annual report, or by way of announcements to the public;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- if a Controlling Shareholder or a Director has a conflict of interest in a matter to be considered, he/she shall act in accordance with the requirements of the Articles and the Listing Rules, regarding voting on each matters;
- any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and
- we have appointed China Galaxy International Securities (Hong Kong) Co., 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.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, any director, chief executive or substantial shareholder of our Company or any of our subsidiaries (including any person who, within 12 months preceding the Listing Date, was a director of our Company or any of our subsidiaries), or any associate of the above persons will become a connected person of our Company upon our 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 transaction which will continue after our Listing will constitute our continuing connected transaction under Chapter 14A of the Listing Rules.

Continuing connected transaction which is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements

Computer Products and Services Agreement

On 1 September 2016, Evergreen Factory entered into a computer products and services agreement (the “**Computer Agreement**”) with Hopcom Software Computer Limited (“**Hopcom**”), pursuant to which Evergreen Factory agreed to engage Hopcom to provide computer products and services for a term commencing from 1 September 2016 to 31 December 2018 (both days inclusive). For the three years ended 31 December 2014, 2015 and 2016, the total consideration paid by Evergreen Factory to Hopcom for computer products and services amounted to approximately HK\$0.7 million, HK\$1.1 million and HK\$1.1 million, respectively.

Pursuant to the Computer Agreement, (i) a monthly fee of HK\$90,000 will be payable by Evergreen Factory to Hopcom for the computer services; and (ii) the price of computer products shall be determined on an arm's length basis with reference to the prevailing market prices of similar products taking into consideration of the quality and quantity of the computer products ordered, and the terms of purchase offered by Hopcom to Evergreen Factory shall be no less favourable than those offered to independent third parties.

Our Directors estimate that the annual amount to be paid by Evergreen Factory to Hopcom under the Computer Agreement will not exceed HK\$1.5 million and HK\$1.6 million for the two years ending 31 December 2017 and 2018, respectively. Such estimates are based on (i) the historical amounts paid by Evergreen Factory to Hopcom during the Track Record Period; and (ii) the prevailing market prices for such computer products and services.

As at the Latest Practicable Date, Hopcom was owned as to 74.69% by Mr. Chang Yoe Chong Felix and 4.85% by Mr. Chang Chih Lung, each of whom is our Controlling Shareholder and Director. Therefore, Hopcom is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Computer Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon our Listing.

Since each of the percentage ratios (other than the profits ratio) for the Computer Agreement is less than 5% on an annual basis and the estimated annual amount is less than HK\$3 million, the transaction under the Computer Agreement falls within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Directors' view

Our Directors (including the independent non-executive Directors) are of the view that the transaction in respect of the Computer Agreement has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Compliance with the Listing Rules

If the terms of the Computer Agreement are materially altered or if we enter into any new agreements or arrangements in the future under which the aggregate consideration paid or payable by us or the annual amount payable under the Computer Agreement exceeds 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

OVERVIEW

The management of our business is supervised by our Board, which consists of twelve Directors: five executive Directors, three non-executive Directors and four independent non-executive Directors. Our Directors were all appointed for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of our Board include, but not limited to, convening Shareholders' meetings, reporting our Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of authorised capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The following table sets out information regarding our Directors and our senior management.

Name	Age	Position in our Company	Date of first joining our Group	Date of appointment as Director or senior management	Responsibilities	Relationship with other Directors or senior management
Mr. Chang Chih Lung (張之龍)	91	Founder, Honorary Chairman and non-executive Director	Founder	19 May 2016	Responsible for formulation of our strategic directions and for high level oversight of our management and operations	Father of Mr. Chang Yoe Chong Felix
Mr. Chang Yoe Chong Felix (張有滄)	51	Chairman, Chief Executive Officer and executive Director	1 April 1992	19 May 2016	Responsible for our overall business strategy and major business decisions and oversight of our operation	Son of Mr. Chang Chih Lung
Mr. Chan Kwok Keung (陳國強)	50	Vice Chairman and executive Director	3 March 1995	9 September 2016	Responsible for oversight of our sales and marketing	N/A
Mr. Kwok Yau Lung Anthony (郭猶龍)	39	Chief Operating Officer and executive Director	27 September 2000	9 September 2016	Responsible for our logistic, procurement, brand development and management	N/A
Ms. Jia Ziying (賈子英)	40	Executive Director	1 July 1997	9 September 2016	Responsible for our product research and development, and the overall manufacturing management	Spouse of Mr. Li Yanbo
Mr. Li Yanbo (李炎波)	46	Executive Director	3 September 1995	9 September 2016	Responsible for our sales and marketing in the PRC	Spouse of Ms. Jia Ziying

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position in our Company	Date of first joining our Group	Date of appointment as Director or senior management	Responsibilities	Relationship with other Directors or senior management
Mr. Chan Lau Yui Kevin (陳劉裔)	50	Non-executive Director	25 March 2015	9 September 2016	Responsible for formulation of our strategic directions and for high level oversight of our management and operations	N/A
Mr. Chan Hoi Sing Harold (陳愷承)	50	Non-executive Director	25 March 2015	19 May 2016	Responsible for formulation of our strategic directions and for high level oversight of our management and operations	N/A
Mr. Lau Ip Keung Kenneth (劉業強)	50	Independent non-executive Director	19 June 2017	19 June 2017	Responsible for giving strategic and independent advice and guidance on our business and operations	N/A
Mr. Sin Hendrick (洗漢廷)	42	Independent non-executive Director	19 June 2017	19 June 2017	Responsible for giving strategic and independent advice and guidance on our business and operations	N/A
Dr. Yung Bruce Pak Keung (容伯強)	56	Independent non-executive Director	19 June 2017	19 June 2017	Responsible for giving strategic and independent advice and guidance on our business and operations	N/A
Mr. Szeto Yuk Ting (司徒毓廷)	50	Independent non-executive Director	19 June 2017	19 June 2017	Responsible for giving strategic and independent advice and guidance on our business and operations	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position in our Company	Date of first joining our Group	Date of appointment as Director or senior management	Responsibilities	Relationship with other Directors or senior management
Ms. Leung Pui Yee (梁貝怡)	38	Chief Financial Officer and company secretary	9 May 2011	9 September 2016	Responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters, and overseeing investment activities and transactions	N/A
Mr. Hui Wing Ki (許榮基)	38	Senior manager	9 August 2001	1 January 2012	Responsible for procurement of human hair, and sales and marketing of high-end human hair extensions	N/A
Ms. Chan Chi Yau (陳至柔)	40	Senior manager	5 August 2002	9 December 2013	Responsible for sales and marketing of Halloween products and e-commerce business	N/A

DIRECTORS

Executive Directors

Mr. Chang Yoe Chong Felix, aged 51, has been our Director since the incorporation of our Company on 19 May 2016. Mr. Chang Yoe Chong Felix was re-designated as our executive Director and appointed as our Chief Executive Officer on 9 September 2016. He is also our Chairman and has assumed various positions in our subsidiaries including a director of Evergreen Factory, a director of EPF Global, a director of EPF International, the sole director and manager of Kunming Evergreen, a director of Evergreen Factory (BD), a director of Gold Timing, the manager of Evergreen Factory (YZ) and the manager of Shenzhen Evergreen. He is responsible for our overall business strategy and major business decisions. He also oversees our operation in Hong Kong, China, Bangladesh and Japan.

Mr. Chang Yoe Chong Felix joined our Group in April 1992 as a manager and was promoted to be our Vice-Chairman and Managing Director in September 1996. He accumulated over 25 years of experience in the hair goods industry. Since joining our Group, Mr. Chang has been responsible for our business strategies and decision-making. Mr. Chang also developed and modified our Group's strategies relating to production, market strategies, and research and development. He has also proposed directional recommendations to our Company by discovering new business opportunities. Mr. Chang Yoe Chong Felix has also significantly expanded our scale of production which has led to our current leading position in the hair goods industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang Yoe Chong Felix obtained a Master of Science degree in Information Technology for Manufacture and a Bachelor of Science degree with honours in Computer and Management Sciences from the University of Warwick in the United Kingdom in July 1992 and July 1990, respectively. Mr. Chang Yoe Chong Felix is the son of Mr. Chang Chih Lung.

Mr. Chang Yoe Chong Felix was a director of Adland Limited, Golden Times, Allied Glory, Evergreen Mongla, Hopcheer and Century Laureates of Science and Technology (Shenzhen) Co., Ltd.* (世紀雄才科技(深圳)有限公司) (“**Century Laureates**”). Adland Limited, a company engaged in the trading of hair goods, was dissolved by way of deregistration on 11 September 2015. Golden Times had not commenced business and was administratively dissolved on 25 September 2015 due to its inactivity. Allied Glory and Evergreen Mongla, companies engaged in the trading of hair goods, were dissolved by way of struck-off on 13 April 2015 and 26 June 2014, respectively. Hopcheer, a quality control adviser, was dissolved by way of deregistration on 13 March 2015. Century Laureates, a commissioned agent established in the PRC with limited liability, is in the process of deregistration.

Mr. Chan Kwok Keung, aged 50, was appointed as our executive Director and Vice Chairman on 9 September 2016. Mr. Chan is currently the head of our sales and marketing department and primarily responsible for overseeing our sales and marketing.

Mr. Chan joined our Group in March 1995 and accumulated over 21 years of experience in our sales and marketing. He has held various positions in our Group, including director of Evergreen Factory, director of EPF Global, director of EPF International, director of Evergreen Factory (BD), as well as director of Gold Timing. Before joining our Group, Mr. Chan worked in the Korea Trade Centre, the Korean Trade-Investment Promotion Agency, as a market research officer from September 1990 to April 1994.

Mr. Chan obtained a Higher Diploma in Institutional Management and Catering Studies from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1990.

Mr. Chan was a director of Allied Glory and Evergreen Mongla. Allied Glory and Evergreen Mongla, companies engaged in the trading of hair goods, were dissolved by way of struck-off on 13 April 2015 and 26 June 2014 due to their inactivity, respectively.

Mr. Kwok Yau Lung Anthony, aged 39, was appointed as our executive Director and Chief Operating Officer on 9 September 2016. Mr. Kwok is currently the head of our logistic, procurement and human resources and administration department. He is primarily responsible for our logistic, procurement, brand development and management.

Mr. Kwok joined our Group in September 2000. After heading to Japan for his further education in October 2003, Mr. Kwok returned to our Group in April 2005. From April 2005 to July 2012, Mr. Kwok worked for our Group and held last position as a director of Evergreen Factory. He assisted us in setting up our e-commerce business in Japan and establishing our Bangladesh Production Base. Prior to Mr. Kwok’s current employment with our Group in June 2016, Mr. Kwok worked at Direct Source (Far East) Limited, a garment manufacturer, from November 2012 to January 2015 and from March 2015 to May 2016, respectively, and was responsible for all merchandising activities.

Mr. Kwok obtained a Bachelor of Science in Mathematics from the Hong Kong University of Science and Technology in July 2000.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Jia Ziyang, aged 40, was appointed as our executive Director on 9 September 2016. Ms. Jia is currently the head of our research and development department and production coordination department and is primarily responsible for our product research and development, and the overall manufacturing management. She is also a director of Evergreen Factory.

Ms. Jia joined our Group in July 1997 and accumulated over 19 years of experience in design and development of the hair goods. In February 2002, she set up a product design, research and development division for wigs made by sewing machines. In February 2009, Ms. Jia took charge of the product design, research and development division for weaving products. In February 2011, she was promoted to the head of our research and development department and production coordination department. As the head of our production coordination department, Ms. Jia has been primarily responsible for overseeing production and operations management. In March 2011, Ms. Jia also took charge of the product design, research and development division for Halloween products.

Ms. Jia obtained a Diploma in Accounting and Statistics from Chongqing Radio and TV University (重慶廣播電視大學) in October 1997. Ms. Jia is the spouse of Mr. Li Yanbo, an executive Director.

Mr. Li Yanbo, aged 46, was appointed as our executive Director on 9 September 2016. He is primarily responsible for our sales and marketing in the PRC. Mr. Li is also a director of Evergreen Factory (SZ) and Evergreen Factory.

Mr. Li has over 20 years of experience in sales and marketing and has assumed various positions in our Group. Mr. Li joined our Group in September 1995 as a merchandiser in Shenzhen Evergreen and was later promoted to its production planner and production director in October 1996 and February 1997, respectively. In October 1998, Mr. Li was further promoted to the manager of the PRC marketing department in Kunming Evergreen. Since then, he has been primarily responsible for our sales and marketing in the PRC, including but not limited to sales, marketing planning, market information collection and after-sales service.

Mr. Li graduated from Northwest A&F University (西北農林科技大學) majoring in Environmental Monitoring and Assessment (distance learning) in July 2016. He graduated from a two-year programme in business administration of China Sociology Correspondence University (中國社會學函授大學) (not MOE accredited) (distance learning) in August 2004. In July 1990, he completed two years of study majoring in English in Hunan Wulingyuan Foreign Language School (湖南武陵源外國語學校).

In March 2003, Mr. Li obtained a Qualification Certificate for National Marketing Manager approved and issued by the Marketing Professional Committee of China Business Manager Association. Mr. Li is the spouse of Ms. Jia Ziyang, an executive Director.

Non-executive Directors

Mr. Chang Chih Lung, aged 91, the founder of our Group, has been our Director since the incorporation of our Company on 19 May 2016 and was re-designated as our non-executive Director and appointed as our Honorary Chairman on 9 September 2016. He has also assumed various positions in our subsidiaries including a director of Evergreen Factory, a director of EPF Global, a director of EPF International and the legal representative of Evergreen Factory (YZ). Mr. Chang Chih Lung was a director of Adland Limited, a company engaged in the trading of hair goods and dissolved by way of deregistration on 11 September 2015. Mr. Chang has over 40 years of experience in the hair goods industry. In 1984, Mr. Chang Chih Lung established a hair goods production plant and our predecessor in Guangzhou, China. He is responsible for formulation of our strategic directions and for high level oversight of our management and operations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang Chih Lung has been the honorary life president of the Association of H.K. Yunnan Fellow Provincials Ltd. (雲南旅港同鄉會) since January 2009. Mr. Chang Chi Lung is the father of Mr. Chang Yoe Chong Felix.

Mr. Chan Lau Yui Kevin, aged 50, was appointed as our non-executive Director on 9 September 2016, representing SEAVI Advent, our pre-IPO investor. He is also a director of Evergreen Investment and Evergreen Factory. Mr. Chan is responsible for formulation of our strategic directions and for high level oversight of our management and operations. Mr. Chan is also a senior partner of SEAVI Advent Private Equity Limited, overseeing its fund management activities for private equity investments in Greater China. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO.

Mr. Chan first joined Advent International Corporation as the Principal of its Technology and Communications Investment in its Hong Kong office in May 2000. He has been with SEAVI Advent Equity Limited, the Asian affiliate of Advent International Corporation since July 2002. Prior to the employment in Advent International Corporation, Mr. Chan worked at HSBC Investment Bank Asia Limited from June 1999 to May 2000 and his last position was an associate director, and earlier worked as an associate in the Investment Banking Division of Goldman Sachs (Asia) L.L.C. from 1997 to 1999.

Mr. Chan obtained a Master of Business Administration degree from Columbia University in May 1997, a Master of Arts degree from the University of Cambridge in May 1993, a Master of Science degree in Electrical Engineering from Polytechnic University in the U.S. (currently known as New York University Polytechnic School of Engineering) in June 1991 and a Bachelor of Arts degree from the University of Cambridge in July 1989. He is a member of the Institution of Engineering and Technology and the Institute of Electrical and Electronics Engineers, respectively, and is a Chartered Engineer. Mr. Chan has been a responsible officer licensed under the SFO to engage in type 9 (asset management) regulated activities since July 2008. He was awarded the Pearson SRF BTEC Level 7 Advanced Professional Diploma for the Financial Times Non-Executive Director by Pearson Education Ltd in May 2016.

Mr. Chan Hoi Sing Harold, aged 50, has been our Director since the incorporation of our Company on 19 May 2016 and was re-designated as our non-executive Director on 9 September 2016, representing SEAVI Advent, our pre-IPO investor. He is also a director of Evergreen Factory. Mr. Chan Hoi Sing Harold is responsible for formulation of our strategic directions and for high level oversight of our management and operations. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO. He is involved in deal sourcing and structuring, due diligence, investment committee activities and Hong Kong investor relations.

In February 2004, Mr. Chan founded Shun Hing Capital (Asia) Limited, the investment arm of Shun Hing Group, and oversees its investment activities. Prior to this, he served as a vice president, Mergers & Acquisitions of PCCW where he focused on structuring transactions for the group's mergers & acquisitions activities and venture capital investments from February 2000 to March 2003. Before joining PCCW, Mr. Chan was an assistant manager of the Listing Division of the Stock Exchange. His prior career included Tokai Bank Europe Limited and KPMG in the United Kingdom.

Mr. Chan obtained a Master of Arts degree from the University of Cambridge in March 1993 and a Bachelor of Arts degree from the University of Cambridge in June 1989. Mr. Chan is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales and has been a fellow of the Institute of Chartered Accountants in England and Wales since April 2011.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Lau Ip Keung Kenneth, aged 50, was appointed as our independent non-executive Director on 19 June 2017. Mr. Lau is responsible for giving strategic and independent advice and guidance on our business and operations.

Mr. Lau is the vice chairman of Wing Tung Yick Holdings Limited, and the chairman of Super Clean Agricultural Technology International Limited, a company principally engaged in agricultural business. He has assumed various positions in numerous statutory bodies in the HKSAR, including member of the Legislative Council of Hong Kong for the Heung Yee Kuk functional constituency since October 2016; member of Tuen Mun District Council since May 2016; the chairman of the Heung Yee Kuk since June 2015; an indigenous inhabitant representative of Lung Kwu Tan, Tuen Mun, since May 2016; and the chairman of the Tuen Mun Rural Committee since May 2016. He is also a member of the National Committee of the Chinese People's Political Consultative Conference since March 2013.

Mr. Lau obtained a Bachelor of Science (Economics) degree with Honours in Statistics from the London School of Economics and Political Science, the University of London in August 1990. He was appointed by the HKSAR Government as a New Territories Justice of the Peace in 2007 and a Justice of the Peace in 2002, respectively, and also awarded the Medal of Honour in 1999 by the HKSAR Government.

Mr. Sin Hendrick, aged 42, was appointed as our independent non-executive Director on 19 June 2017. Mr. Sin is responsible for giving strategic and independent advice and guidance on our business and operations.

Mr. Sin is a founding partner of China Prosperity Capital Fund. He is also the vice chairman of CMGE Group Limited. Between August 2011 and August 2016, Mr. Sin was the vice chairman of China Mobile Games & Entertainment Group Ltd, a company listed on the NASDAQ market in United States from September 2012 to August 2015. Between July 2013 and August 2015, Mr. Sin was an independent non-executive director of AID Partners Capital Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8088). Between March 2009 and October 2012, Mr. Sin was an executive director and the chief financial officer of V1 Group Limited, a company listed on the Stock Exchange (Stock Code: 0082).

Mr. Sin obtained a Master of Science degree in Engineering Economic Systems and Operations Research from Stanford University in June 1997. He also obtained three Bachelor of Science degrees in Mathematics/Computer Science, Economics and Industrial Management from Carnegie Mellon University in May 1996. Mr. Sin is a member of The Hong Kong Institute of Directors.

Mr. Sin has been appointed as the manager of Majesty Enterprises Limited Taiwan Branch, a branch office of Majesty Enterprises Limited engaged in mobile game business in Taiwan, since August 2015. The board of directors of Majesty Enterprises Limited resolved to voluntarily wind up Majesty Enterprises Limited Taiwan Branch in April 2016 and Majesty Enterprises Limited Taiwan Branch is in the process of liquidation.

Dr. Yung Bruce Pak Keung, aged 56, was appointed as our independent non-executive Director on 19 June 2017. Dr. Yung is responsible for giving strategic and independent advice and guidance on our business and operations.

Dr. Yung has been the founder and managing director of BVB Group Ltd, a development and advisory firm in the renewables, sustainability and energy spaces, since September 2015. He is also a senior advisor to Canaccord Genuity (Hong Kong) Limited.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yung had assumed various positions in companies listed on the Stock Exchange, including chief executive officer and executive director of Brightoil Petroleum (Holdings) Limited (Stock Code: 933) from July 2014 to August 2015; and managing director and executive director of China Renewable Energy Investment Limited (Stock Code: 987) from August 2009 to September 2012. He had also held numerous management positions in international companies, including managing director and vice president of Business Development of First Solar China from September 2012 to December 2013.

Dr. Yung obtained a Doctor of Philosophy degree and a Bachelor of Science degree (with Honours) in Chemical Engineering from the University of Birmingham, U.K., in July 1987 and July 1983, respectively. He also obtained a Master of Business Administration degree (distance learning) from Henley Management College, U.K., in November 2012. He completed the 174th session of the Advanced Management Program of Harvard Business School in May 2008. Dr. Yung was admitted as a member of the Hong Kong Institute of Directors since January 2012; a member of the Association of Cost Engineers, U.K., in June 1993; a member of the Institution of Gas Engineers, U.K., in February 1992; a corporate member of the Institution of Chemical Engineers, U.K., in November 1990.

Mr. Szeto Yuk Ting, aged 50, was appointed as our independent non-executive Director on 19 June 2017. Mr. Szeto is responsible for giving strategic and independent advice and guidance on our business and operations.

Mr. Szeto was admitted as a solicitor in Hong Kong in September 1992 and had over 24 years of legal experience. His major areas of practice include civil and criminal litigation, conveyancing and probate. Mr. Szeto co-founded Messrs. Y.T. Szeto & Company, Solicitors in September 1996 and has been the sole proprietor of the firm since January 2001. He also worked in Messrs. Paul Chan & Co., Solicitors from 1993 to 1996.

Mr. Szeto obtained a Postgraduate Certificate in Laws and a Bachelor of Laws degree (with Honours) from the University of Hong Kong in June 1990 and December 1989, respectively.

SENIOR MANAGEMENT

Ms. Leung Pui Yee, aged 38, is our Chief Financial Officer and company secretary, and is responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters, and overseeing investment activities and transactions of our Group. She has also assumed various positions in our subsidiaries including a director of Evergreen Factory (BD) and Gold Timing.

Ms. Leung joined us in May 2011 as financial controller and was appointed as our Chief Financial Officer and company secretary on 9 September 2016. Ms. Leung has over 13 years of experience in accounting and financial management. Prior to joining our Group, from September 2003 to September 2010, Ms. Leung worked at Deloitte Touche Tohmatsu, an international accounting firm, and her last position was manager.

Ms. Leung obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2003. Ms. Leung has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2011. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hui Wing Ki, aged 38, is our senior manager and primarily is responsible for procurement of human hair and sales and marketing of high-end human hair extension.

Mr. Hui joined us in August 2001 as marketing executive and accumulated over 15 years of experience in sales and marketing. He was promoted to be our senior manager in January 2012. As our senior manager, Mr. Hui focuses on procurement of human hair, including budget estimates and quality and inventory control; sales and marketing of high-end human hair extension; supervision of sales and marketing in Caucasian and Asian markets; and identification of potential growth of existing customers as well as development of new customers in line with our customer objectives in Caucasian and Asian markets.

Mr. Hui obtained a Bachelor of Business Administration degree in China Business Studies (Marketing) from Hong Kong Baptist University in December 2001.

Ms. Chan Chi Yau, aged 40, is our senior manager and is primarily responsible for sales and marketing of Halloween products and e-commerce business.

Ms. Chan joined us in August 2002 as senior marketing executive and accumulated over 14 years of experience in sales and marketing. She served as manager in Evergreen Factory from January 2007 to March 2009 and was promoted to our senior manager in December 2013. As our senior manager, Ms. Chan focuses on supervision of sales and marketing for our Halloween product segment, including accounts administration, identification of potential growth of existing customers and development of new customers, as well as our e-commerce business. Before joining us, she worked with Neon King Limited, a decorative lighting manufacturer, from August 1999 to October 2001 and held her last position as marketing supervisor in the marketing department with main responsibilities on supervising daily operations of sales and marketing department, as well as assisting the department manager for the overall administration of the department and coordination with the factory.

Ms. Chan obtained a Bachelor of Business Administration degree from the Chinese University of Hong Kong in May 1999.

The above members of our senior management did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely the nomination committee, the remuneration committee and the audit committee.

Nomination Committee

We established a nomination committee on 19 June 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our nomination committee consists of one executive Director and four independent non-executive Directors. The one executive Director is Mr. Chang Yoe Chong Felix and the four independent non-executive Directors are Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting. Currently, Mr. Chang Yoe Chong Felix is the chairman of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary responsibilities of our nomination committee are to assist our Board in formulating the procedures and criteria for electing and appointing our Directors and senior management, conducting initial assessment of qualifications and background of the potential suitable candidates.

Remuneration Committee

We established a remuneration committee on 19 June 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our remuneration committee consists of one executive Director and four independent non-executive Directors. The one executive Director is Mr. Chang Yoe Chong Felix, and the four independent non-executive Directors are Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting. Currently, Mr. Szeto Yuk Ting is the chairman of our remuneration committee.

The primary responsibilities of our remuneration committee are to review and formulate remuneration plans, performance evaluation system and incentive schemes for our Directors and senior management, make proposals to our Board, and oversee the implementation of the plans or systems.

Audit Committee

Pursuant to Rule 3.21 of the Listing Rules, we established an audit committee on 19 June 2017 with written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our audit committee consists of four independent non-executive Directors. The four independent non-executive Directors are Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting. Currently, Mr. Sin Hendrick is our chairman of the audit committee.

The primary responsibilities of our audit committee are to assist our Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, housing allowances and other allowances, benefits in kind, employer's contribution to the pension schemes and/or discretionary bonuses. The remuneration package of the senior management is similar to that of our executive Directors. The total compensation accrued to our Directors for the years ended 31 December 2014, 2015 and 2016 were HK\$2.2 million, HK\$2.5 million and HK\$3.1 million, respectively.

Save for Mr. Chan Kwok Keung, no other Director is included in the five highest paid individuals for the years ended 31 December 2014, 2015 and 2016. The aggregate compensation (including fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) paid to our five highest paid individuals for the years ended 31 December 2014, 2015 and 2016 were HK\$4.2 million, HK\$5.3 million and HK\$3.7 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 December 2017 to be HK\$2.5 million.

DIRECTORS AND SENIOR MANAGEMENT

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for the years ended 31 December 2014, 2015 and 2016. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended 31 December 2014, 2015 and 2016, by us or any of our subsidiaries to our Directors.

DIRECTORS' INTEREST

Save as disclosed in this section, each of our Directors (i) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (ii) did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 19 June 2017 to enable us to grant share options to selected participants, including our Directors and senior management, as an additional incentive. For details of the Share Option Scheme, see “Statutory and General Information – D. Share Option Scheme” in Appendix IV.

COMPLIANCE ADVISER

We have agreed to appoint China Galaxy International Securities (Hong Kong) Co., Limited to be our compliance adviser upon Listing on the Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance adviser's agreement with our compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of office of our compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, unless the agreement is terminated beforehand;
- our compliance adviser will ensure that our Company is properly guided and advised as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines;
- our compliance adviser will, if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in Rule 3A.23 of the Listing Rules; and
- our compliance adviser will discuss with our Company the matters listed under Rule 3A.24 at the time of review of our financing reports and upon us notifying our compliance adviser of a proposed change in the use of proceeds of our Listing.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. However, Mr. Chang Yoe Chong Felix currently performs these two roles in our Company. Given the current scale of our operations and our management structure, we consider that entrusting Mr. Chang Yoe Chong Felix, who has been our key leadership figure and chiefly responsible for our business strategy, decisions and operations, to perform both the functions of the Chairman and the Chief Executive Officer of our Company is appropriate. Our Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of our Directors and the number of independent non-executive Directors on our Board and this structure will enable our Company to make and implement decisions promptly and effectively.

Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Long positions and short positions in shares of our Company

<u>Name of Shareholder</u>	<u>Capacity/nature of interest</u>	<u>As at the Latest Practicable Date</u>		<u>Immediately following the completion of the Capitalisation Issue and the Global Offering</u>	
		<u>Number of shares</u>	<u>Approximately percentage of interests of our Company</u>	<u>Number of Shares</u>	<u>Approximately percentage of interests of our Company</u>
Evergreen Holdings	Beneficial owner	100,000,000	73.0%	336,903,803	54.8%
Golden Evergreen ⁽¹⁾	Interest in controlled corporation	100,000,000	73.0%	336,903,803	54.8%
FC Investment ⁽¹⁾	Interest in controlled corporation	100,000,000	73.0%	336,903,803	54.8%
FC Management ⁽¹⁾	Interest in controlled corporation	100,000,000	73.0%	336,903,803	54.8%
CLC Investment ⁽¹⁾	Interest in controlled corporation	100,000,000	73.0%	336,903,803	54.8%
CLC Management ⁽¹⁾	Interest in controlled corporation	100,000,000	73.0%	336,903,803	54.8%
HSBC International Trustee Limited ⁽¹⁾	Trustee of a trust	100,000,000	73.0%	336,903,803	54.8%
Mr. Chang Chih Lung ⁽²⁾⁽³⁾	Beneficiary of a trust/ Founder of a discretionary trust	100,000,000	73.0%	336,903,803	54.8%
Mr. Chang Yoe Chong Felix ⁽²⁾⁽³⁾	Beneficiary of a trust/ Founder of a discretionary trust	100,000,000	73.0%	336,903,803	54.8%
Ms. Wong Hor Yan ⁽⁴⁾	Interest of spouse	100,000,000	73.0%	336,903,803	54.8%
SEAVI Advent ⁽⁵⁾	Beneficial owner	36,908,517 (Preferred Shares)	27.0%	93,596,197	15.2%
SEAVI Advent Equity V (A) Ltd ⁽⁵⁾	Interest in controlled corporation	36,908,517 (Preferred Shares)	27.0%	93,596,197	15.2%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management and HSBC International Trustee Limited is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.
- (2) The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor), Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, each of Mr. Chang Yoe Chong Felix and Mr. Chang Chih Lung is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.
- (3) The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. Accordingly, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.
- (4) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.
- (5) SEAVI Advent will grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) under the International Placing Agreement, pursuant to which SEAVI Advent may be required to sell up to 27,675,000 additional Shares. Assuming the Over-allotment Option is exercised in full, the number of Shares held by SEAVI Advent will be reduced to 65,921,197. SEAVI Advent is wholly owned by SEAVI Advent Equity V (A) Ltd. SEAVI Advent Equity V (A) Ltd is deemed to be interested in the Shares held by SEAVI Advent under the SFO. In order to facilitate the settlement of over-allocations in connection with the Global Offering, SEAVI Advent will lend up to 27,675,000 Shares to the Stabilising Manager to cover over-allocations through the stock borrowing arrangement under the Stock Borrowing Agreement. See "Structure of the Global Offering – Stock Borrowing Arrangement" for details. SEAVI Advent has undertaken to our Company that, except for the arrangement under the Global Offering (including the sale of initially 30,750,000 Sale Shares under the International Placing, the Over-allotment Option and the arrangements under the Stock Borrowing Agreement), for a period of six months from the Listing Date, SEAVI Advent will not dispose of, nor will it enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of its Shares.

Save as disclosed above and in the section headed "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix IV, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

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 Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Authorised share capital as at the Latest Practicable Date

Number of shares	Total nominal value
	(US\$)
900,000,000 Shares of a par value of US\$0.01 each	9,000,000.00
100,000,000 Preferred Shares of a par value of US\$0.01 each ⁽¹⁾	1,000,000.00
	10,000,000.00

Issued share capital as at the Latest Practicable Date

Number of shares	Total nominal value
	(US\$)
100,000,000 Shares of a par value of US\$0.01 each	1,000,000.00
36,908,517 Preferred Shares of a par value of US\$0.01 each ⁽¹⁾	369,085.17

Authorised share capital immediately following the completion of the Capitalisation Issue and the Global Offering

Number of Shares	Total nominal value
	(US\$)
1,000,000,000 Shares of a par value of US\$0.01 each ⁽¹⁾	10,000,000.00

Note:

- (1) All the issued Preferred Shares will be converted into the Shares, on a one-to-one basis, immediately prior to the completion of the Global Offering. Upon full conversion of the Preferred Shares, (i) the 100,000,000 authorised but unissued Preferred Shares will be cancelled and the share capital of our Company will be diminished accordingly, and (ii) our authorised share capital be increased from US\$9,000,000 divided into 900,000,000 Shares to US\$10,000,000 divided into 1,000,000,000 Shares by creation of an additional 100,000,000 Shares. See also “Statutory and General Information – A. Further Information about our Group – 2. Change in Share Capital of our Company” in Appendix IV.

SHARE CAPITAL

Issued share capital immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme)

Number of Shares	Total nominal value
	<i>(US\$)</i>
136,908,517 Shares of a par value of US\$0.01 each in issue	1,369,085.17
324,341,483 Shares of a par value of US\$0.01 each to be issued pursuant to the Capitalisation Issue	3,243,414.83
153,750,000 new Shares of a par value of US\$0.01 each to be issued pursuant to the Global Offering	1,537,500.00
615,000,000 Total	6,150,000.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus except for any entitlement to the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution: (i) increase our capital; (ii) consolidate or divide its capital into larger or smaller amounts of shares; (iii) divide our unissued shares into classes; (iv) subdivide our shares into smaller amounts of shares; or (v) cancel any shares which have not been taken. In addition, our Company may in any manner authorised by law reduce our share capital by shareholders' special resolution. For more details, see "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III.

SHARE CAPITAL

Pursuant to the Memorandum and Articles of Association, if the share capital of our Company is divided into classes, all or any of the special rights attached to any class of Shares (unless otherwise provided by their terms of issue) may, subject to the Cayman Companies Law, be varied 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. For more details, see “Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, see “Statutory and General Information – A. Further Information about our Group – 3. Resolutions in Writing of our Shareholders” in Appendix IV.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 19 June 2017, we have conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in “Statutory and General Information – D. Share Option Scheme” in Appendix IV.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

As part of the International Placing, we have entered into cornerstone investment agreements with Kaneka Corporation, Beauty Star Global Limited (“**Beauty Star**”) and Mr. Cheng Lap Yin (“**Mr. Cheng**”, together with Kaneka Corporation and Beauty Star as the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe for or purchase, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately US\$10.5 million (equivalent to approximately HK\$81.68 million) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.65 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 49,500,000, representing (a) approximately 26.9% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 23.4% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 8.0% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$1.775 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 46,014,000, (a) approximately 24.9% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 21.7% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) representing approximately 7.4% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$1.90 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 42,988,000, representing (a) approximately 23.4% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 20.3% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 7.0% of the Shares in issue and outstanding upon the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

To the best knowledge of our Directors, each of the Cornerstone Investors is an independent third party, independent from our Company, our connected persons and their respective associates and independent of each other. The Cornerstone Investors will subscribe for the Offer Shares pursuant to, and as part of, the International Placing. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering, other than pursuant to their respective cornerstone investment agreement.

The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. Immediately following the completion of the Capitalisation Issue and the Global Offering, the Cornerstone Investors will not have any representation on our Board or become our substantial shareholder. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

CORNERSTONE INVESTORS

Assuming the Over-allotment Option is exercised, no additional Shares will be issued and the shareholding of the Cornerstone Investors will not be affected.

The Offer Shares to be acquired by the Cornerstone Investors will not be (i) subject to re-allocation of Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer; or (ii) affected by any exercise of the Over-allotment Option to be granted by the Selling Shareholder to the International Underwriters and exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

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 Tuesday, 11 July 2017.

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreement with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The details of the investment of our Cornerstone Investors are set forth below:

		Based on the Offer Price of HK\$1.65 (being the minimum Offer Price)			
Cornerstone Investor	Investment amount	Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
Kaneka Corporation	US\$4,498,715 (HK\$35,000,000)	21,212,000	11.5%	10.0%	3.4%
Beauty Star	US\$3,000,000 (HK\$23,340,000)	14,144,000	7.7%	6.7%	2.3%
Mr. Cheng Lap Yin	US\$3,000,000 (HK\$23,340,000)	14,144,000	7.7%	6.7%	2.3%
Total	US\$10,498,715 (HK\$81,680,000)	49,500,000	26.9%	23.4%	8.0%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$1.775
(being the mid-point Offer Price)

<u>Cornerstone Investor</u>	<u>Investment amount</u>	<u>Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)</u>	<u>Approximate % of total number of Offer Shares</u>		<u>Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering</u>
			<u>Assuming the Over-allotment Option is not exercised</u>	<u>Assuming the Over-allotment Option is exercised in full</u>	
Kaneka Corporation	US\$4,498,715 (HK\$35,000,000)	19,718,000	10.7%	9.3%	3.2%
Beauty Star	US\$3,000,000 (HK\$23,340,000)	13,148,000	7.1%	6.2%	2.1%
Mr. Cheng Lap Yin	US\$3,000,000 (HK\$23,340,000)	13,148,000	7.1%	6.2%	2.1%
Total	US\$10,498,715 (HK\$81,680,000)	46,014,000	24.9%	21.7%	7.4%

Based on the Offer Price of HK\$1.90
(being the maximum Offer Price)

<u>Cornerstone Investor</u>	<u>Investment amount</u>	<u>Number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares)</u>	<u>Approximate % of total number of Offer Shares</u>		<u>Approximate % of total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering</u>
			<u>Assuming the Over-allotment Option is not exercised</u>	<u>Assuming the Over-allotment Option is exercised in full</u>	
Kaneka Corporation	US\$4,498,715 (HK\$35,000,000)	18,420,000	10.0%	8.7%	3.0%
Beauty Star	US\$3,000,000 (HK\$23,340,000)	12,284,000	6.7%	5.8%	2.0%
Mr. Cheng Lap Yin	US\$3,000,000 (HK\$23,340,000)	12,284,000	6.7%	5.8%	2.0%
Total	US\$10,498,715 (HK\$81,680,000)	42,988,000	23.4%	20.3%	7.0%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Kaneka Corporation

Kaneka Corporation is a company founded in Japan, in 1949 with head offices in Osaka and Tokyo. It is listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange with stock code 41180. Since establishment, Kaneka Corporation had been involved in principal activities including the manufacture and sale of chemicals, functional plastics, expandable plastics, foodstuffs, pharmaceuticals, medical devices, electrical raw materials and synthetic fibers. Apart from Japan, Kaneka Corporation has business operations overseas in countries including the United States, Belgium, Singapore, Malaysia, Australia, China, India, etc. Kaneka Corporation has supplied synthetic fibres to us for more than 18 years and is our largest supplier for each of the three years ended 31 December 2014, 2015 and 2016.

Beauty Star Global Limited

Beauty Star is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. It is ultimately and beneficially owned by Mr. Kyong Ho Choi. Mr. Choi is a merchant who is involved in distributing hair goods and is also a substantial shareholder of one of our major customers.

Mr. Cheng Lap Yin

Mr. Cheng is a Hong Kong resident and has extensive experience in the apparel industry, including serving positions in trade and procurement at various companies. Between 30 September 2013 and 29 November 2016, Mr. Cheng served as the chairman and an executive director of Hanbo Enterprises Holdings Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board with stock code 1367.

CONDITIONS PRECEDENT

The obligations of our Company to issue and deliver the Offer Shares and the obligations of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective cornerstone investment agreements are subject to the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived in part or in whole or varied by agreement of the parties thereto) by no later than the time and date as specified in the respective Underwriting Agreements;
- (b) neither of the Underwriting Agreements having been terminated;
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares and such approval or permission having not been revoked;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offer, the International Placing 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;
- (e) the representations, warranties, undertakings and confirmations of such Cornerstone Investor under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of such Cornerstone Investor; and
- (f) the Offer Price having been agreed by, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company in connection with the Global Offering.

CORNERSTONE INVESTORS

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and CIMB Securities Limited as the Sole Sponsor and the Underwriters' representative, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of any relevant Shares or any interest in any company or entity (directly or indirectly) holding any of the relevant Shares, other than in certain limited circumstances such as transferring to any wholly-owned subsidiary of such Cornerstone Investor provided that, among others, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, be bound by the Cornerstone Investor's obligations in the respective cornerstone investment agreement, and give the same acknowledgments, representations and warranties thereunder, as if such wholly-owned subsidiary were itself subject to such obligations and restrictions, and they shall jointly and severally bear all liabilities and obligations imposed by the respective cornerstone investment agreement; (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions; (iii) publicly announce any intention to enter into any aforesaid transactions; and (iv) agree or contract to do any aforesaid transactions.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information as at and for each of the years ended 31 December 2014, 2015 and 2016, as well as the accompanying notes included in the Accountants' Report set out in Appendix I. The Accountants' Report has been prepared in accordance with HKFRS. Potential investors should read the Accountants' Report set out in Appendix I in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors".

OVERVIEW

We are a leading global manufacturer of hair goods, including wigs, hairpieces, braids and high-end human hair extensions. According to the Frost & Sullivan Report, we ranked fifth in synthetic hair goods sales globally with an approximately 4.0% market share of global synthetic hair goods manufacturer revenue in 2016. We design, manufacture and sell a wide range of hair goods made with synthetic fibres and human hair targeted at different ethnic groups and the Halloween market.

Our principal market is the United States, which contributed approximately 76.3% of our revenue in 2016. Our key sales products in the United States include synthetic hair goods used mainly by women of African descent for daily wear as well as beauty and grooming purposes. We believe that the demand for such products is of a recurring nature, with product styles subject to changes in fashion trends. We continue to expand our market share in the United States through our design and manufacture of high quality hair goods with higher margins such as high-end human hair extensions, aided by our production expansion.

Our other key markets are Europe and Asia, which contributed approximately 7.2% and 14.3%, respectively, of our revenue in 2016. Our sales in these two markets primarily consist of high-end human hair extensions as well as other hair goods designed for women of African descent in Europe.

We sell our products to: (i) wholesalers; (ii) mass retailers for our Halloween products; (iii) hair salons in Asia; and (iv) e-commerce customers. Our wholesaler and mass retailer customers will sell our products under their own brands or brands they are licensed to use, while in Asia, we primarily sell products under our own brands through e-commerce sales.

During the Track Record Period, we have expanded rapidly in terms of production scale and revenue. For the years ended 31 December 2014, 2015 and 2016, our revenue was HK\$533.9 million, HK\$554.5 million and HK\$595.7 million, respectively. During the same periods, we generated profit of HK\$70.4 million, HK\$68.7 million and HK\$32.8 million, respectively. Without taking into account of the effects of change in fair value of our Preferred Shares and listing expenses, our profit for the year ended 31 December 2016 would have been approximately HK\$86.1 million.

BASIS OF PRESENTATION

In preparation of our Listing, the companies comprising our Group underwent the Reorganisation as described in "Our History and Development – Reorganisation".

FINANCIAL INFORMATION

Our principal activity is the manufacturing and trading of hair goods. During the Track Record Period, our Group was controlled by the Controlling Shareholders. The Reorganisation mainly involved inserting new holding entities, including our Company, between Evergreen Factory and its shareholders. The Reorganisation has not resulted in any change in economic substance. The financial information contained herein has been prepared as if the current group structure had been in existence throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising our Group as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period except for those subsidiaries disposed of during the Track Record Period whose results have been accounted for until their effective date of disposal.

The consolidated statements of financial position of our Group as at 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies comprising our Group as if our Company had always been the holding company of our Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation and where applicable, the respective dates of disposal of relevant entities.

CRITICAL ACCOUNTING POLICIES

Our financial information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial information includes applicable disclosures required by the Listing Rules and the Companies Ordinance. Below is a summary of certain significant accounting policies and estimates that our Directors believe are important to the preparation of our financial results and positions. We also have other accounting policies and estimates that the Directors consider to be significant, the details of which are set forth in the section headed “4. Significant Accounting Policies” in Appendix I.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and that the amount of the revenue can be measured reliably. Our main source of revenue is generated from sales of hair products. We generally do not have long term contracts with our main customers, instead they place orders periodically and repeatedly. Even though we have a large variety of products, all of our sales contracts are under free-on-board terms, and our revenue is recognised upon fulfillment of such terms.

Property, Plant and Equipment

Our property, plant and equipment, other than leasehold land, freehold land and buildings and construction in progress, but including machinery and equipment, leasehold improvement and motor vehicles, are stated at fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. We recognise depreciation on property, plant and equipment in use using the

FINANCIAL INFORMATION

straight-line method so as to write off the cost or revalued amounts of items of property, plant, and equipment to their estimated residual values over their estimated useful lives. We review the estimated useful lives, residual values and applicable depreciation methods at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Our estimates of useful lives are based on our experience of the actual useful lives of property, plant and equipment of similar nature and functions. We increase the depreciation charge where useful lives are estimated to be shorter than previously estimated.

Our leasehold land and freehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed annually such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognized in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued leasehold land and buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

We carry construction in progress at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

We also assess our property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable, and we write-off or write-down obsolete assets that have been abandoned or impaired. We did not have material instances of impairment to plant, property and equipment due to obsolesce or otherwise during the Track Record Period.

Financial instruments

Our financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

We recognised redeemable convertible preferred shares as financial liabilities at fair value through profit or loss on initial recognition. Redeemable convertible preferred shares comprise the host debt instrument and the embedded derivatives. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled for a fixed number of our Company's own equity instruments, and therefore it does not meet the equity classification but is instead designated as a non-current liability in the statement of financial position.

At the end of each subsequent reporting period, we measured the entire redeemable convertible preferred shares at fair value by consultation of external professional valuer. Any change in fair value is recognized directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

FINANCIAL INFORMATION

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at fair value through profit or loss are charged to profit or loss immediately.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying our accounting policies, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Allowances for inventories

Our Group reviews the usage of the inventories at the end of each reporting period, and makes provision for obsolete items where events or changes in circumstances show that the balances of inventories may not be realized or are no longer suitable for production use. During the Track Record Period, no additional specific provision of inventories was provided as our inventories are non-perishable.

Fair value of redeemable convertible preferred shares

Our Group selects an appropriate valuation technique to determine the fair value of the redeemable convertible preferred shares which are not quoted in an active market. In estimating the fair value of the financial liability, our Group uses independent valuation which is based on various inputs and estimates based on discounted cash flow analysis and option pricing method. Valuation techniques are certified by independent professional valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on our Group's specific data. The model involves estimates on time to expiration, risk free rate, other comparable public companies share price volatility, lack of marketability discount, probability of exercise of options and others. The carrying value of the redeemable convertible preferred shares was approximately HK\$205.3 million as at 31 December 2016.

Fair value of land and buildings

Our revalued amount of the leasehold land and buildings, other than the offices in Japan as at 31 December 2014 and 2015, was based on valuation on the properties conducted by independent qualified valuers using property valuation techniques. Our offices in Japan were revalued by the Directors as at 31 December 2014 and 2015. The valuation conducted by independent qualified valuers and the Directors involves certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of our Group's land and buildings and corresponding adjustments to the amount reported in other comprehensive income. As at 31 December 2014, 2015 and 2016, the fair value change of land and buildings was HK\$10.5 million, HK\$10.3 million and HK\$5.7 million, respectively.

Allowance for trade and other receivables

Our Group makes provisions for impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of

FINANCIAL INFORMATION

doubtful debts requires the use of judgment and estimates based on the creditworthiness and the past collection history of each customer. Where expectations are different from the original estimates, such differences will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimates have been changed. During the Track Record Period, our Group had not made any such allowance for doubtful debt.

For further information regarding critical accounting judgments and estimates, see “5. Critical Accounting Judgment and Key Sources of Estimation Uncertainty” in Appendix I for further details.

KEY 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.

Global Macroeconomic Trends

A significant portion of our revenue is derived from the United States, Europe and other international markets. For years ended 31 December 2014, 2015 and 2016, we derived 90.9%, 91.5% and 91.9% of our revenue, respectively, from direct international sales (i.e. from the customers located out of China). Therefore, our results of operations and financial condition are affected by demand in the international markets, particularly in the United States. Due to the appreciation of the US dollars recently, we have increased our focus on the sales in the United States. For years ended 31 December 2014, 2015 and 2016, our United States market contributed approximately 66.0%, 73.9% and 76.3% of our revenue, respectively. International demand is primarily affected by economic conditions and the level of consumer spending in these markets, which in turn are affected by factors that are beyond our control, including but not limited to, disposable income, interest rates, recession, inflation, stock market performance, unemployment levels and general consumer confidence. Any economic downturn in the regions where our ultimate customers are based may result in reduced demand in our products, potential delay and/or default in payment by the customers. If any of such factors comes to pass, this could negatively impact our future results of operations and financial condition. Conversely, a positive global macroeconomic environment creates demand for our products.

Labour Costs

The manufacture of hair goods is labour intensive, and labour costs have a direct impact on our financial performance. Our financial performance relies on the steady supply of skilled and low cost labour in Bangladesh and the PRC. Our direct labour costs for the years ended 31 December 2014, 2015 and 2016 amounted to approximately HK\$88.6 million, HK\$122.4 million and HK\$157.7 million, respectively, and accounted for approximately 24.6%, 34.0% and 41.0% of our total cost of goods sold for the same years, respectively. Direct labour costs attributed to our production in Bangladesh and the PRC for the years ended 31 December 2014, 2015 and 2016 amounted to HK\$47.5 million and HK\$41.1 million, HK\$88.8 million and HK\$33.6 million, HK\$130.8 million and HK\$26.9 million, respectively, and accounted for 53.6% and 46.4%, 72.5% and 27.5%, 83.0% and 17.0% of our total direct labour costs for the same years, respectively.

Labour costs are primarily affected by the demand for and supply of labour as well as other economic factors such as the rate of inflation and standard of living. As a result, labour cost varies depending on jurisdiction. For instance, our average wage cost per employee in Bangladesh is lower than our average wage cost per employee in China. Labour costs may increase due to a shortage of skilled labour and growing industry demands for skilled workers. Some of our products may require a higher level of skills, such as our high-end human hair extensions.

FINANCIAL INFORMATION

Any failure to identify and recruit replacements immediately following the unexpected loss of skilled workers would reduce our competitiveness and have an adverse effect on our business and operations. In addition, we expect continued increases in labour costs in the PRC and Bangladesh as well as the minimum wage requirements in the PRC, Bangladesh and other markets where we currently operate. Although we pay our workers at or above the minimum wage stipulated by applicable laws and regulations in Bangladesh and the PRC, 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 might not be able to increase the prices of our products to customers. 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 adversely affected.

Fluctuations in Foreign Currency Exchange Rates

We primarily operate in Bangladesh and the PRC, and most of our operating expenses are denominated in RMB and Taka and while most of our sales are denominated and settled in U.S. dollars. Therefore, fluctuations in exchange rates between RMB/Taka/U.S. dollars could result in gains or losses and could impact our profit margin and overall result of operations. During the Track Record Period, we entered into certain foreign exchange forward contracts to hedge against our exposures to changes of foreign exchange rate. Any appreciation of the Taka or RMB would generally have a negative impact on our results of operations. Conversely, any depreciation of these currencies would have a positive impact. In order to reduce the risk associated with the fluctuation of the RMB, we have entered into a foreign currency forward contract to hedge against our exposures to changes of the RMB against the U.S. dollar. For the years ended 31 December 2014, 2015 and 2016, we incurred net foreign exchange loss of HK\$1.6 million, HK\$3.9 million and HK\$1.0 million, respectively. Such loss primarily comprises the net loss on settlement of our foreign currency trade and other receivables, trade and other payables and bank borrowings, and the realised net loss under the foreign currency forward contract. For the years ended 31 December 2014, 2015 and 2016, we incurred net loss from changes in fair value of derivative liabilities of HK\$2.7 million, HK\$4.7 million and HK\$2.8 million, respectively. Such loss represents the loss from the change in value of the unrealised future value of the foreign currency forward contract.

Going forward, we expect exchange rates between RMB/Taka/U.S. dollars will continue to fluctuate. Our management will continue to monitor our foreign currency exchange exposure and will take prudent measures to minimise the currency exchange risk.

Product Mix and Pricing

Our results of operations are affected by our product mix and the pricing of our products. Products made for different market segments and products within the same product segments have different gross profit margins, depending on factors such as the cost of raw materials and pricing. We generally enjoy higher profit margin for high-end human hair extensions made with human hair. As a result, we believe an increase in our production capacity for, and our sales of, high-end human hair extensions will increase our overall profit margin. In addition, we intend to expand our production capacity and sales of natural hair wigs and hairpieces, which command a higher price than our synthetic wig and hairpiece products. As we primarily manufacture products according to our customers' specifications, there is no standard selling price for our products. We generally negotiate the price of our products with our customers on the basis of one of the following three methods: (i) a cost-plus basis with reference to the market price of comparables; (ii) a market price basis; and (iii) a demand basis. We adjust our pricing strategies for each product based on the expected demand of such product. For example, fashion products that are in demand can command a higher price. This flexibility allows us to offer competitive pricing for general products, while also enjoying a higher margin for products in high demand.

FINANCIAL INFORMATION

Management and Expansion of Our Production Capacity

Our results of operations are directly affected by our sales volume, which in turn is a function of our production capacity and market demand. Growth in our revenue and market share, and the diversification of our product mix, depends to a large extent on our ability to expand our production capacity and manage our production planning. As at 31 December 2016, we had five production lines in China and 30 production lines in Bangladesh, with a total of approximately 800 employees in China and approximately 13,000 employees in Bangladesh.

While we established our initial production facilities in China, in 2010 we began to diversify our production to Bangladesh in order to meet the expected increase in demand for our products and capture business opportunities arising from the growth in the wig and hairpiece industry. We intend to continue to expand our production capacity and increase the scope of our operations in Bangladesh to include human hair sourcing, bleaching and dyeing, as well as package printing and package cartoning. These plans include the completion of the construction of four new buildings in Bangladesh by the end of 2019. For details, see “Business – Our Operations in Bangladesh – Production Expansion Plans”.

During the Track Record Period, our principal constraints on revenue have been our production capacity for each period. We also experienced a temporary decrease in overall production capacity due to the transition of our principal production base from China to Bangladesh and the initial ramp up of our Bangladesh Production Base. We expect that there may be further changes in our production capacity as we increase the scope of our operations in Bangladesh to include human hair sourcing, bleaching and dyeing, and package printing and cartoning and shift additional functions from China, shortening our production lead time.

As indicated in the following table setting forth our revenue by our production base, revenue from our China Production Base decreased during the Track Record Period reflecting a decrease in the production volume of our China Production Base. Conversely, revenue from our Bangladesh Production Base increased during the same period, reflecting an increase in production capacity as we transitioned our principal production base from China to Bangladesh.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Revenue by Production Base			
China ⁽¹⁾	245.1	172.0	107.7
Bangladesh	288.8	382.5	488.0
Total	533.9	554.5	595.7

Note:

(1) Includes other income in the amount of HK\$0.1 million for the year ended 31 December 2016.

As the manufacture of hair goods is capital and labour intensive, increasing production capacity and maintaining a high utilisation rate are essential to reducing our per unit cost of production and maintaining our competitiveness. If we are unable to continue to expand our production capacity in Bangladesh, for instance, due to a failure to obtain government approvals for any reason, or if we encounter unforeseen difficulties in the course of the construction of additional buildings, the construction could be significantly delayed, and we might not be able to complete the new buildings on time or at all. In that event, our business, prospects and growth strategies could be adversely affected. Conversely, as we increase and manage our production capacity effectively, we will be able to capitalise on existing demand to increase our revenue.

FINANCIAL INFORMATION

We also experience changes in production capacity which we need to manage as we reconfigure our production lines for seasonal products, such as our Halloween products, and also fashion products which experience a sudden increase in demand due to market trends.

Supply and Pricing of Raw Materials

Our ability to source a steady supply of raw materials at reasonable prices is one of the key factors affecting our results of operations. Our raw materials primarily include synthetic fibres and human hair. Our cost of raw materials amounted to approximately HK\$235.2 million, HK\$176.8 million and HK\$175.3 million for the years ended 31 December 2014, 2015 and 2016, respectively. Human hair prices are subject to more price fluctuation, thus as we expand into the human hair product market and human hair becomes a larger percentage of our product mix and raw material costs, we will be subject more to price fluctuations of raw materials. In contrast, synthetic fibres are subject to relatively less price fluctuation, although they may be impacted by oil prices.

During the Track Record Period, we did not enter into any long-term supply contracts with our raw material suppliers, which exposed us to uncertainty and potential volatility with respect to our costs of raw materials and supply of raw materials. The prices of most of our raw materials generally follow the price trends of, and vary with, the prevailing market condition. During the Track Record Period, prices of synthetic fibres experienced only slight fluctuations, while human hair experienced fluctuations of up to 10% from year to year. Because we intend to further penetrate the human hair market, we may also increasingly be subject to uncertainty and potential volatility with respect to our costs and supply of human hair.

Our future performance will also depend on our bargaining power with our suppliers and our ability to pass any price increases of raw materials to our customers. If we are unable to pass on the increased costs to our customers in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Taxation

Our profitability and financial performance are affected by applicable tax policy. Evergreen Factory (BD), one of our major subsidiaries, enjoys Bangladesh tax incentives including a tax holiday for corporate income tax and dividend withholding taxes for a period of ten years until 2019, duty-free import of machinery, equipment and raw materials for export products, as well as duty-free export of goods produced in the UEPZ. As a result, our effective income tax rates for the years ended 31 December 2014, 2015 and 2016 were 1.9%, 3.7% and 11.5%, respectively. In addition, from 1 April 2015, China reduced its export tax rebate rate for wigs and hairpieces made with human hair from 15% to 9%, effectively increasing the tax rate on exports of such wigs and hairpieces. The resulting increased cost for other manufacturers in China has given us further cost advantage compared to other manufacturers who remain principally based in China.

We cannot assure you that the tax incentives we have received or the favourable tax conditions will not change. After the expiry of the tax holiday, Evergreen Factory (BD) will be required to pay Bangladesh corporate income tax at the standard rate of 35% on 50% of its total tax assessable income and dividend withholding tax at the rate of 20% in Bangladesh. See “Regulatory Overview – Bangladesh Regulatory Overview – Relevant Laws and Regulations on Taxes” for details regarding tax related legal requirement in Bangladesh. If there is any discontinuation or cancellation of the aforesaid tax incentives in Bangladesh, our business, financial condition, results of operations and prospects could be adversely affected.

FINANCIAL INFORMATION

RESULT OF OPERATIONS

The following table sets forth a breakdown of our consolidated result of operations, with each item expressed as an absolute percentage of our revenue, for the years indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ in millions, except percentages)</i>					
Revenue	533.9	100.0%	554.5	100.0%	595.7	100.0%
Cost of goods sold	(359.8)	67.4%	(359.6)	64.9%	(384.4)	64.5%
Gross profit	174.1	32.6%	194.8	35.1%	211.3	35.5%
Other income	3.2	0.6%	3.5	0.6%	2.7	0.5%
Other gains and losses ⁽¹⁾	(1.4)	0.3%	(8.7)	1.6%	(4.8)	0.8%
Change in fair value of investment properties ⁽²⁾	5.6	1.0%	1.4	0.3%	–	–
Change in fair value of redeemable convertible preferred shares	–	–	–	–	(39.3)	6.7%
Distribution and selling expenses	(14.9)	2.8%	(12.9)	2.3%	(12.9)	2.2%
Administrative expenses	(82.2)	15.4%	(92.5)	16.7%	(87.4)	14.7%
Other expenses ⁽⁴⁾	(0.2)	–	(1.8)	0.3%	(14.9)	2.5%
Finance costs	(12.4)	2.3%	(12.5)	2.3%	(17.6)	2.9%
Profit before taxation	71.8	13.4%	71.3	12.9%	37.1	6.2%
Taxation ⁽⁵⁾	(1.4)	0.3%	(2.6)	0.5%	(4.3)	0.7%
Profit for the year	70.4	13.2%	68.7	12.4%	32.8	5.5%

Notes:

- (1) Other gains and losses include net foreign exchange loss of HK\$1.6 million, HK\$3.9 million and HK\$1.0 million for the years ended 31 December 2014, 2015 and 2016, respectively.
- (2) We disposed of our investment properties in April 2015.
- (3) Fair value loss is a non-cash item. Before the completion of the Global Offering, the redeemable convertible preferred shares will be converted into Shares on a one-to-one basis, and the difference between the fair value of the redeemable convertible preferred shares as at 31 December 2016 and the fair value upon the conversion of such shares will be recognised as fair value gain or loss in our consolidated profit and loss statement for the year ending 31 December 2017. The fair value gain or loss will be a non-cash item. There will be no fair value gain or loss associated therewith for any financial period after 31 December 2017 on the assumption that our Listing will be completed on or before 31 December 2017.
- (4) We incurred listing expenses of HK\$14.0 million for the year ended 31 December 2016, which are recognised as other expenses.
- (5) One of our subsidiaries in Bangladesh received income tax exemptions of HK\$8.2 million, HK\$11.1 million and HK\$14.0 million for the years ended 31 December 2014, 2015 and 2016, respectively. Therefore, the tax effect of tax exemptions granted to us during the Track Record Period in Bangladesh was significant.

Without taking into account our listing expenses and the change in fair value of our investment properties and redeemable convertible preferred shares, our adjusted net profit during the Track Record Period for illustration purposes is as follows:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Profit for the year	70.4	68.7	32.8
Change in fair value of investment properties	(5.6)	(1.4)	–
Change in fair value of redeemable convertible preferred shares	–	–	39.3
Listing expenses	–	–	14.0
Adjusted net profit	64.8	67.3	86.1

FINANCIAL INFORMATION

Adjusted net profit increased from HK\$64.8 million in 2014 to HK\$86.1 million in 2016 at a CAGR of 15.3%. Adjusted net profit eliminates the effects of change in fair value of our redeemable convertible preferred shares and listing expenses, which have been and may continue to be significant recurring factors in our business prior to the completion of the Global Offering. It also eliminates the effect of change in fair value of our investment properties which were disposed of in April 2015. The term of adjusted net profit is not defined under HKFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year.

Principal Components of Our Consolidated Statement of Profit And Loss

Revenue

Our revenue is mainly generated from the manufacture and sale of our products. Revenue represents the amount that we receive and the receivables for the sale of our products, net of any discounts and returns. We derive our revenue from three principal product segments: (i) wigs, hair accessories and others; (ii) high-end human hair extensions; and (iii) Halloween products.

The following table sets forth a breakdown of our revenue by product segment for the years indicated.

	For the year ended 31 December					
	2014		2015		2016	
	<i>(HK\$ in millions, except percentages)</i>					
Revenue by Product Line						
Wigs, hair accessories and others	392.9	73.6%	378.6	68.3%	409.3	68.7%
High-end human hair extensions	100.7	18.9%	130.6	23.5%	141.5	23.8%
Halloween products	40.3	7.5%	45.3	8.2%	44.9	7.5%
Total	<u>533.9</u>	<u>100.0%</u>	<u>554.5</u>	<u>100.0%</u>	<u>595.7</u>	<u>100.0%</u>

The following table sets forth our sales volume by product line for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(pieces in millions)</i>		
Sales Volume by Product Line			
Wigs, hair accessories and others	27.6	20.7	23.4
High-end hair extensions	0.4	0.5	0.5
Halloween products	2.6	2.4	2.1
Total	<u>30.6</u>	<u>23.6</u>	<u>26.0</u>

The following table sets forth our average selling price by product line for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$)</i>		
Average Selling Price by Product Line⁽¹⁾			
Wigs, hair accessories and others	14.2	18.3	17.4
High-end hair extensions	263.2	288.4	283.5
Halloween products	15.7	18.9	21.7
Overall	<u>17.5</u>	<u>23.6</u>	<u>22.9</u>

Note:

- (1) The average selling price by product line shall be the revenue by product line divided by the sales volume by that product line.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue by geographic location of delivery to customers for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Revenue by			
Geographic Location			
United States	352.2	409.7	454.4
United Kingdom	46.2	48.1	39.2
China	48.5	47.1	48.4
Others ⁽¹⁾	87.0	49.6	53.7
Total	533.9	554.5	595.7

Note:

(1) Others primarily include Japan and South Africa.

Our principal market is the United States, which contributed approximately 76.3% to our revenue in 2016. Our key sales products in the United States include synthetic hair goods used mainly by women of African descent for daily wear as well as beauty and grooming purposes. Our other key markets are Europe and Asia, which contributed approximately 7.2% and 14.3%, respectively, to our revenue in 2016. Our sales in these two markets primarily consist of high-end human hair extensions and also other hair goods designed for women of African descent in Europe.

Cost of Goods Sold

Our cost of goods sold consists principally of (i) costs for raw materials and supplies, (ii) direct labour costs, and (iii) other production overhead and expenses. For the years ended 31 December 2014, 2015 and 2016, our total cost of goods sold was HK\$359.8 million, HK\$359.6 million and HK\$384.4 million, respectively.

The following table sets forth a breakdown of our cost of goods sold by product segment for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Cost of Goods Sold by			
Product Segment			
Wigs, hair accessories and others	274.2	259.6	286.9
High-end human hair extensions	51.4	68.1	66.5
Halloween products	34.2	31.9	31.0
Total	359.8	359.6	384.4

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of goods sold by principal components for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Cost of Goods Sold by Component			
Raw materials and supplies	235.2	176.8	175.3
Direct labour costs	88.6	122.4	157.7
Other production overhead and expenses	36.0	60.4	51.4
Total	359.8	359.6	384.4

The cost of raw materials and supplies is the most significant component of our cost of goods sold and is one of the principal factors affecting the pricing of our products. Cost of raw materials and supplies accounted for 65.4%, 49.2% and 45.6% of our cost of goods sold for the years ended 31 December 2014, 2015 and 2016, respectively.

The below table illustrates, assuming all other factors being constant, the changes in our gross profit in response to increases/decreases of 5%, 10% and 15% of the raw material costs of our Group's products, respectively.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Impact on Gross Profit for the Year			
increases/decreases of 5.0%	11.8	8.8	9.3
increases/decreases of 10.0%	23.5	17.7	18.5
increases/decreases of 15.0%	35.3	26.5	27.8

Direct labour costs principally reflect expansions in our capacity and increases in the number of our production employees, taking into account, in part, the difference in salaries and benefits of our production employees in China and Bangladesh and the number of production employees we staffed at each production base. For the financial year ended 31 December 2016, the average monthly salary and benefits per our production employee in China and Bangladesh were approximately HK\$2,850 and HK\$870, respectively.

Other production overhead and expenses principally include rent, utilities, repair and maintenance costs, depreciation and import transportation fees attributable to the production of the goods sold by the Company.

Gross Profit and Gross Profit Margin

Gross profit comprises revenue less cost of goods sold. Gross profit margin is derived by dividing gross profit by revenue.

FINANCIAL INFORMATION

The following table sets forth the gross profit and gross profit margin of our product segments for the periods indicated.

	For the year ended 31 December					
	2014			2015		
	<i>(HK\$ in millions, except percentages)</i>					
Gross Profit and						
Gross Profit Margin						
Wigs, hair accessories and others	118.7	30.2%	118.9	31.4%	122.5	29.9%
High-end human hair extensions	49.3	49.0%	62.4	47.8%	74.9	53.0%
Halloween products	6.1	15.2%	13.5	29.8%	13.9	30.9%
Total Gross Profit and						
Overall Gross Profit Margin	174.1	32.6%	194.8	35.1%	211.3	35.5%

Our gross profit was HK\$174.1 million, HK\$194.8 million and HK\$211.3 million for the years ended 31 December 2014, 2015 and 2016, respectively. Our gross profit margin was 32.6%, 35.1% and 35.5% for the years ended 31 December 2014, 2015 and 2016, respectively.

Our gross profit is affected by our product mix, the pricing of our products and our labour costs. Products made for different market segments and products within the same product segments have different gross profit margins, depending on factors such as the cost of raw materials and pricing.

Our high-end human hair extensions consistently derive the highest gross profit margin among our three product segments. Gross profit margin of our Halloween products tends to vary depending on our product mix for the relevant period. Our gross profit margins for wigs, hair accessories and others have generally remained stable during the Track Record Period.

Other Income

Our other income consists primarily of bank interest income, dividend income received from listed equity securities, processing income, rental income and sundry income.

The following table sets forth a breakdown of our other income for the periods indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Other Income			
Bank interest income	0.1	0.2	0.1
Dividend income received from listed equity securities	0.1	0.1	0.0
Processing income	0.3	0.4	0.2
Rental income from investment properties and warehouses	2.0	1.2	0.7
Sundry income	0.6	1.6	1.7
Total	3.1	3.5	2.7

FINANCIAL INFORMATION

Bank interest income represents interest earned from our bank deposits and balances.

Dividend income received from listed equity securities represents dividends we received from our investments in the shares of listed companies.

Processing income represents income received for rental of space and machinery in our China Production Base to a third party for its production of hand-tied hair products. Since May 2016, we ceased the rental and began our own production of hand-tied hair products at our Bangladesh Production Base. We now produce the hand-tied products ourselves and sell them to this third party.

Sundry income primarily represents interest earned from certain key man life insurance policies. For further information on these insurance contracts, see note 22 to the Accountants' Report set forth in Appendix I to this prospectus.

Rental income represents income received from rental of investment properties and warehouses held by our Group.

Other Gains and Losses

Our other gains or losses consist principally of gain on disposal of a subsidiary, net loss from changes in fair value of derivative liabilities, gain/loss on disposal of available for-sale investments, loss/gain on disposal of property, plant and equipment and net foreign exchange loss.

The following table sets forth a breakdown of our other gains and losses for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Other Gains and Losses			
Gain on disposal of a subsidiary	2.8	–	–
Net loss from changes in fair value of derivative liabilities	(2.7)	(4.8)	(2.7)
Gain/(loss) on disposal of available-for-sale investments	0.2	–	(1.2)
Gain/(loss) on disposal of property, plant and equipment	(0.1)	0.0	0.1
Net foreign exchange loss	(1.6)	(3.9)	(1.0)
Total	(1.4)	(8.7)	(4.8)

Gain on disposal of a subsidiary relates to our disposal of a 60% equity interest in Allied Glory Asia Limited, a company incorporated in Hong Kong with limited liability and principally engaged in the trading of garments products, and its subsidiary to its non-controlling shareholder at nil consideration on 23 January 2014.

Net loss from changes in fair value of derivative liabilities represents the loss from the change in value of the unrealised future value of foreign currency forward contracts and an interest swap contract that we entered into to hedge against our exposure to changes in foreign exchange rates and interest rates.

Gain/loss on disposal of available-for-sale investments primarily comprises the gain or loss on disposal of investments in listed securities for cash management purposes.

FINANCIAL INFORMATION

Gain/loss on disposal of property, plant and equipment primarily comprises the loss or gain on disposal of obsolete factory machinery.

Net foreign exchange loss primarily comprises the net loss on settlement of our foreign currency trade and other receivables, trade and other payables and bank borrowings, as well as the realised net loss under the foreign currency forward contract that we entered into to hedge against the appreciation of the RMB against the U.S. dollar due to the fluctuation of the RMB against the U.S. dollar during the Track Record Period.

Change in Fair Value of Investment Properties

The change in fair value of investment properties comprises the mark-to-market increase in value of our investment properties in Hong Kong held by Evergreen Factory. The investment properties were disposed of by our Group in April 2015.

Change in Fair Value of Redeemable Convertible Preferred Shares

As part of the Reorganisation, our Company issued 36,908,517 Preferred Shares to Evergreen Group on 22 June 2016 as part of the consideration for acquisition of Evergreen Factory by Evergreen Investment. See “Our History and Development – Pre-IPO Investment” for the principal terms of the Preferred Shares. We recognised redeemable convertible preferred shares as financial liabilities at fair value through profit or loss on initial recognition. At the end of each reporting period, we measured the entire redeemable convertible preferred shares at fair value by consultation of external professional valuer. Any change in fair value is recognised directly as profit or loss in the year in which they arise.

Distribution and Selling Expenses

Our distribution and selling expenses primarily comprise advertisement expenses, insurance expenses and export transportation costs.

The following table sets forth the breakdown of our distribution and selling expenses for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Distribution and Selling Expenses			
Advertisement	0.8	0.8	0.8
Insurance	0.6	0.6	0.8
Export transportation.	13.1	10.0	9.6
Other expenses	0.4	1.5	1.7
Total	14.9	12.9	12.9

Advertisement expenses are incurred in connection with the marketing of our products.

Insurance expenses comprise insurance premiums paid on our transportation insurance policies.

FINANCIAL INFORMATION

Export transportation costs comprise inland transportation costs incurred from the shipment of products from our production centres to shipping ports and customs declaration costs incurred for clearance of exports of finished products from China or Bangladesh to customers. Our inland transportation costs are lower at our Bangladesh Production Base than those at our China Production Base.

Other distribution and selling expenses primarily comprise sample costs, consumable goods and inspection fees.

Administrative Expenses

Our administrative expenses primarily comprise staff costs, professional service fees, depreciation, rent and rates, management and maintenance fees, travelling, social and motor car expenses, bank charges and office expenses.

The following table sets forth a breakdown of our administrative expenses for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Administrative Expenses			
Staff costs	44.3	46.2	35.3
Professional service fees	2.7	3.3	8.7
Depreciation	7.7	9.4	9.5
Rent and rates, management and maintenance fees	4.8	5.4	6.1
Travelling, social and motor car expenses	7.1	10.3	9.5
Bank charges	2.9	4.4	5.3
Office expenses	12.7	13.5	13.0
Total	82.2	92.5	87.4

Staff costs represent salaries and benefits for our management and administrative personnel.

Professional service fees represent the fees paid to our auditors and legal advisors.

Rent and rates and management and maintenance fees are incurred in respect of our offices and leased land.

Travelling, social and motor car expenses primarily comprise travel costs, social expenses and other transportation related costs.

Bank charges represent the administrative costs charged by banks for our banking facilities, such as arrangement fees and letter of credit handling charges.

Office expenses primarily comprise expenses for stationary and newspapers, courier fees and cleaning expenses.

FINANCIAL INFORMATION

Other Expenses

Our other expenses primarily consist of sundry expenses, donations and listing expenses.

The following table sets forth a breakdown of our other expenses for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in thousands)</i>		
Other Expenses			
Sundry expenses	1	157	–
Donation	233	1,682	933
Listing expenses.	–	–	13,982
Total	234	1,839	14,915

Our sundry expenses comprise miscellaneous expenses.

Our donation expenses are incurred in connection with our corporate social responsibility initiatives. For a detailed description of our various corporate social responsibility initiatives, please see “Business – Corporate Social Responsibility”.

Listing expenses are expenses incurred in respect of the Listing.

Finance Costs

Our financing costs primarily comprise interest on bank borrowings, interest on finance leases of motor vehicles and interest on redeemable convertible preferred shares outstanding.

The following table sets forth a breakdown of our finance costs for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in thousands)</i>		
Finance Costs			
Interest on bank borrowings	12,341	12,508	16,309
Interest on finance lease	23	20	19
Interest on redeemable convertible preferred shares.	–	–	1,234
Total	12,364	12,528	17,562

Taxation

Taxation includes income and other similar taxes paid in various jurisdictions.

Hong Kong profits tax is calculated at 16.5% of the estimated net assessable profit for the Track Record Period.

We are engaged in the manufacture of hair goods through several processing factories in the PRC under two arrangements, namely (1) contract processing arrangements; and (2) import processing arrangements, which are effective during the Track Record Period. Under the contract processing

FINANCIAL INFORMATION

arrangements, there is 50:50 onshore/offshore arrangement between our Group and the contract processing factories such that certain of our profits are not taxable under Hong Kong profits tax during the Track Record Period. Meanwhile, the revenue derived under the import processing arrangements are treated as 100% taxable under Hong Kong profits tax during the Track Record Period. In addition, our processing factories in the PRC are subject to PRC EIT at a rate of 25% on the actual profit generated in the PRC.

No Bangladesh income tax was provided in the consolidated financial statements as one of the subsidiaries operating in Bangladesh is exempted from income tax for 10 years from 10 May 2010, the date of commencement of commercial operations, up to 2019 while the remaining entities in Bangladesh have no assessable profits during the Track Record Period.

Taxation arising in Japan and the United States are calculated at the rates prevailing in the relevant jurisdiction. For Japan, the applicable prevailing tax rate was 27% for the Track Record Period.

Our Directors confirm that we have made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions where we conduct our business and have paid all outstanding tax liabilities, and that we are not subject to any dispute or potential dispute with the tax authorities.

Our effective income tax rates for the years ended 31 December 2014, 2015 and 2016 were 1.9%, 3.7% and 11.5%, respectively.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our revenue increased by HK\$41.2 million, or 7.4%, from HK\$554.5 million for the year ended 31 December 2015 to HK\$595.7 million for the year ended 31 December 2016 primarily due to increases in revenue from our wigs, hair accessories and others segment and high-end human hair extensions segment driven by increases in sales volume of our products in such segments.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others increased by HK\$30.7 million, or 8.1%, from HK\$378.6 million for the year ended 31 December 2015 to HK\$409.3 million for the year ended 31 December 2016. This increase was primarily due to higher sales volume driven by increased production from our Bangladesh Production Base. As we completed a stage of production capacity expansion at the end of 2015, we were able to produce a larger amount of products with this expanded production capacity, take more orders for our products and increase our sales volume in 2016.

High-end human hair extensions. Revenue from high-end human hair extensions increased by HK\$10.9 million, or 8.3%, from HK\$130.6 million for the year ended 31 December 2015 to HK\$141.5 million for the year ended 31 December 2016, primarily due to slightly higher sales volume driven by increased production from our Bangladesh Production Base.

Halloween products. Revenue from Halloween products decreased slightly by HK\$0.4 million, or 0.9%, from HK\$45.3 million for the year ended 31 December 2015 to HK\$44.9 million for the year ended 31 December 2016, primarily due to lower sales volume driven by the change in product mix by selling less low profit margin Halloween products, partially offset by an increase in average selling prices of our Halloween products.

FINANCIAL INFORMATION

Cost of Goods Sold

Our cost of goods sold increased by HK\$24.8 million, or 6.9%, from HK\$359.6 million for the year ended 31 December 2015 to HK\$384.4 million for the year ended 31 December 2016, generally corresponding with sales for the year.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK\$27.3 million, or 10.5%, from HK\$259.6 million for the year ended 31 December 2015 to HK\$286.9 million for the year ended 31 December 2016, corresponding to the increase in sales in the same year. The increase was also attributable to a change in product mix towards production of more special braids, which require more labour than the production of simple braids.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions decreased by HK\$1.6 million, or 2.3%, from HK\$68.1 million for the year ended 31 December 2015 to HK\$66.5 million for the year ended 31 December 2016, primarily due to a decrease in purchase price of human hairs.

Halloween products. Cost of goods sold for our Halloween products decreased by HK\$0.9 million, or 2.8%, from HK\$31.9 million for the year ended 31 December 2015 to HK\$31.0 million for the year ended 31 December 2016, corresponding to the decrease in sales in the same period.

Gross Profit

Our gross profit increased by HK\$16.4 million, or 8.4%, from HK\$194.8 million for the year ended 31 December 2015 to HK\$211.3 million for the year ended 31 December 2016, primarily driven by the increase in gross profit of our high-end human hair extensions. Our gross profit margin increased slightly from 35.1% for the year ended 31 December 2015 to 35.5% for the year ended 31 December 2016, primarily due to the increase in gross profit margin on our high-end human hair extensions which was offset by the decrease in gross profit margin on our wigs, hair accessories and others.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK\$3.6 million, or 3.0%, from HK\$118.9 million for the year ended 31 December 2015 to HK\$122.5 million for the year ended 31 December 2016. Our gross profit margin decreased slightly from 31.4% for the year ended 31 December 2015 to 29.9% for the year ended 31 December 2016, primarily due to a change in product mix towards production of more special braids, which require more labour than the production of simple braids.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK\$12.5 million, or 20.0%, from HK\$62.4 million for the year ended 31 December 2015 to HK\$74.9 million for the year ended 31 December 2016. Our gross profit margin increased from 47.8% for the year ended 31 December 2015 to 53.0% for the year ended 31 December 2016, primarily due to an increase in sales of high-end human hair extensions under our own brands during the period, which enjoyed a higher profit margin than the similar products sold without our brands, and a decrease in raw material costs of human hair as a result of the change in product mix, using less Chinese hair.

Halloween products. Gross profit for Halloween products increased by HK\$0.4 million, or 3.0%, from HK\$13.5 million for the year ended 31 December 2015 to HK\$13.9 million for the year ended 31 December 2016. Our gross profit margin increased from 29.8% for the year ended 31 December 2015 to 30.9% for the year ended 31 December 2016, primarily due to the slight increase in average selling price of Halloween products.

FINANCIAL INFORMATION

Other Income

Other income decreased by HK\$0.8 million, or 21.5%, from HK\$3.5 million for the year ended 31 December 2015 to HK\$2.7 million for the year ended 31 December 2016, primarily due to a decrease in rental income as a result of the disposal of the investment properties in April 2015.

Other Gains and Losses

Other losses decreased by HK\$3.8 million, or 44.0%, from HK\$8.7 million for the year ended 31 December 2015 to HK\$4.8 million for the year ended 31 December 2016, primarily due to gain from changes in fair value of our foreign currency forward contract, partially offset by the net foreign exchange loss from the realised loss under our foreign currency forward contract and the loss on disposal of available-for-sale investments.

Change in Fair Value of Investment Properties

Change in fair value of investment properties for the year ended 31 December 2015 was HK\$1.4 million as a result of mark-to-market increases in value of our investment properties for the year. There was no change in fair value of investment properties for the year ended 31 December 2016 as our Group disposed of the investment properties in April 2015.

Change in Fair Value of Redeemable Convertible Preferred Shares

As part of the Reorganisation, our Company issued 36,908,517 Preferred Shares to Evergreen Group on 22 June 2016 as part of the consideration for the acquisition of Evergreen Factory by Evergreen Investment. See “Our History and Development – Pre-IPO Investment” for the principal terms of the Preferred Shares. The loss arising from the change in fair value of redeemable convertible preferred shares for the year ended 31 December 2016 was HK\$39.3 million. The loss arising from the change in fair value of the redeemable convertible preferred shares is the change in fair value of the Preferred Shares during each reporting period measured at each reporting date. After the issuance of the Preferred Shares, the firm value of our Group increased due to enhanced business performance and changes in the general market conditions. The rising firm value induced an increase in fair value of the Preferred Shares for the year ended 31 December 2016, and the resulting accounting losses to our Group were recognised in that year. Upon the conversion of the Preferred Shares into the Shares immediately prior to the completion of the Global Offering, further changes in the fair value of the Preferred Shares will be recognised.

Distribution and Selling Expenses

Distribution and selling expenses remained stable at HK\$12.9 million for the years ended 31 December 2015 and 2016, respectively. During the year ended 31 December 2016, the transportation insurance payment and other expenses increased due to our production expansion. As our inland transportation costs were lower at our Bangladesh Production Base than those at our China Production Base, the said increases were primarily offset by a decrease in export transportation expenses during the same year when we gradually shifted our production base from China to Bangladesh.

Administrative Expenses

Administrative expenses decreased by HK\$5.1 million, or 5.5%, from HK\$92.5 million for the year ended 31 December 2015 to HK\$87.4 million for the year ended 31 December 2016, primarily due to a decrease in staff costs, partially offset by an increase in professional service fees. The increase in the professional service fees was primarily due to the Reorganisation and our disposal of the investment properties. The decreases in staff costs were primarily due to the scaling down of the China Production Base and the departure of some of our staff.

FINANCIAL INFORMATION

Other Expenses

Other expenses increased by HK\$13.1 million, or 727.8%, from HK\$1.8 million for the year ended 31 December 2015 to HK\$14.9 million for the year ended 31 December 2016, primarily due to HK\$14.0 million of expenses incurred for our Listing during the year ended 31 December 2016.

Finance Costs

Finance costs increased by HK\$5.1 million, or 40.8%, from HK\$12.5 million for the year ended 31 December 2015 to HK\$17.6 million for the year ended 31 December 2016, primarily due to the increase in our bank borrowings to support our production expansion in Bangladesh and the interest payable to the holder of the Preferred Shares issued in June 2016.

Taxation

Our income tax expense was HK\$2.6 million for the year ended 31 December 2015 as compared to HK\$4.3 million for the year ended 31 December 2016. The increase in income tax expense for the year ended 31 December 2016 was primarily due to the under provision for the transfer pricing exposure of our PRC subsidiaries in prior years.

Our management performed a review of our PRC subsidiaries' profit level prior to the financial year ended 31 December 2013 by reference to the general profitability of the other PRC companies engaged in the similar industry, and they determined that our PRC subsidiaries' profit level was not substantially lower than the industry average and there should not be any material transfer pricing exposure prior to the financial year ended 31 December 2013. In view of our prospective listing, our management considered it would be essential to engage a tax adviser to conduct a transfer pricing review for the years ended 31 December 2013, 2014, 2015 and 2016. In 2016, we commissioned a transfer pricing review of our PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and 2016. Based on the results from the transfer pricing review, we made a tax provision of approximately HK\$2.0 million for PRC enterprise income tax in 2016, representing the total amount of the tax provision in relation to the transfer pricing exposure of our PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and 2016. If such tax provision is separately booked to each of the years ended 31 December 2013, 2014, 2015 and 2016, the increase in the total amount of the said tax provision for each corresponding year will not be regarded as material. Therefore, the entire amount of such tax provisions is booked in the year ended 31 December 2016. As at the Latest Practicable Date, we have not been subject to any PRC penalties regarding transfer pricing, or received any transfer pricing enquiry from any PRC tax authorities on our PRC subsidiaries.

Profit and Net Profit Margin

As a result of the foregoing, our profit for the period was HK\$32.8 million for the year ended 31 December 2016 as compared to HK\$68.7 million for the year ended 31 December 2015. Our net profit margin decreased from 12.4% for the year ended 31 December 2015 to 5.5% for the year ended 31 December 2016.

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenue

Our revenue increased by HK\$20.5 million, or 3.8%, from HK\$533.9 million for the year ended 31 December 2014 to HK\$554.5 million for the year ended 31 December 2015, primarily due to an increase in

FINANCIAL INFORMATION

revenue from high-end human hair extensions and to a lesser extent, revenue from Halloween products and slight increases in our average selling prices across all products, partially offset by a decrease in revenue from wigs, hair accessories and others.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others decreased by HK\$14.3 million, or 3.6%, from HK\$392.9 million for the year ended 31 December 2014 to HK\$378.6 million for the year ended 31 December 2015. This decrease was primarily due to a decrease in sales volume of wigs, hair accessories and other products in this segment as we reduced sales to customers in South Africa and scaled down the production from our China Production Base, which was partially offset by increased production from our Bangladesh Production Base which was ramping up during the year.

High-end human hair extensions. Revenue from high-end human hair extensions increased by HK\$29.9 million, or 29.7%, from HK\$100.7 million for the year ended 31 December 2014 to HK\$130.6 million for the year ended 31 December 2015, primarily due to higher sales volume driven by an increase in our production capacity as we maintained the production capacity of our China Production Base for this product segment while also continuing to increase production of our high-end human hair extensions at our Bangladesh Production Base as part of its ramp up.

Halloween products. Revenue from Halloween products increased by HK\$5 million, or 12.7%, from HK\$40.3 million for the year ended 31 December 2014 to HK\$45.3 million for the year ended 31 December 2015, primarily due to an increase in the average selling prices of our Halloween products.

Cost of Goods Sold

Our cost of goods sold decreased slightly by HK\$0.2 million from HK\$359.8 million for the year ended 31 December 2014 to HK\$359.6 million for the year ended 31 December 2015, primarily driven by a decrease in cost of goods sold from wigs, hair accessories and others and from Halloween products for the period.

Wigs, hair accessories and others. Cost of goods sold from wigs, hair accessories and others decreased by HK\$14.6 million, or 5.3%, from HK\$274.2 million for the year ended 31 December 2014 to HK\$259.6 million for the year ended 31 December 2015 primarily due to the decrease in sales and lower raw material costs driven by the changes in product mix, partially offset by an increase in direct labour cost corresponding to the changes in product mix.

High-end human hair extensions. Cost of goods sold from high-end human hair extensions increased by HK\$16.7 million, or 32.5%, from HK\$51.4 million for the year ended 31 December 2014 to HK\$68.1 million for the year ended 31 December 2015, corresponding to the increase in sales in the same period.

Halloween products. Cost of goods sold from Halloween products decreased by HK\$2.3 million, or 6.7%, from HK\$34.2 million for the year ended 31 December 2014 to HK\$31.9 million for the year ended 31 December 2015, primarily due to our decision to cease production of several lower margin products in this product segment, partially offset by an increase in cost of goods sold corresponding to the increase in sales of our other Halloween products in the same period.

Gross Profit

Our gross profit increased by HK\$20.7 million, or 11.9%, from HK\$174.1 million for the year ended 31 December 2014 to HK\$194.8 million for the year ended 31 December 2015, primarily driven by the

FINANCIAL INFORMATION

increase in gross profit of our high-end human hair extensions and Halloween products. Our gross profit margin improved from 32.6% for the year ended 31 December 2014 to 35.1% for the year ended 31 December 2015 primarily because we increased our high-end human hair extensions and Halloween products as a proportion of our product mix, which products have higher margins than our wigs, hair accessories and others, and because we ceased production of certain lower margin Halloween products for the period.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased slightly by HK\$0.2 million from HK\$118.7 million for the year ended 31 December 2014 to HK\$118.9 million for the year ended 31 December 2015. Our gross profit margin improved slightly from 30.2% for the year ended 31 December 2014 to 31.4% for the year ended 31 December 2015 because we ceased sales of certain lower margin products to South Africa and reallocated production capacity to products sold in the U.S. market.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK\$13.1 million, or 26.6%, from HK\$49.3 million for the year ended 31 December 2014 to HK\$62.4 million for the year ended 31 December 2015 corresponding to the increase in sales in the same period. Our gross profit margin remained relatively constant at 49.0% and 47.8% for the years ended 31 December 2014 and 2015, respectively.

Halloween products. Gross profit for Halloween products increased by HK\$7.4 million, or 121.3%, from HK\$6.1 million for the year ended 31 December 2014 to HK\$13.5 million for the year ended 31 December 2015, primarily due to a change in our production management of this product segment. Our gross profit margin increased significantly from 15.2% for the year ended 31 December 2014 to 29.8% for the year ended 31 December 2015 because we discontinued several lower margin products in favour of higher margin products and marketed products that command higher retail prices to customers.

Other Income

Other income increased by HK\$0.4 million, or 12.9%, from HK\$3.1 million for the year ended 31 December 2014 to HK\$3.5 million for the year ended 31 December 2015, primarily due to the higher amount of interest earned from key man insurance policies for the year ended 31 December 2015, partially offset by the decrease in rental income as a result of disposal of investment properties in April 2015.

Other Gains and Losses

Other losses increased by HK\$7.3 million, or 521.4%, from HK\$1.4 million for the year ended 31 December 2014 to HK\$8.7 million for the year ended 31 December 2015, primarily due to an increase in net foreign exchange loss realised under our foreign currency forward contracts, the absence of a gain on subsidiary disposal and loss from the change in fair value of such contracts from the depreciation of the RMB against the U.S. dollar.

Change in Fair Value of Investment Properties

Change in fair value of investment properties decreased by HK\$4.2 million, or 75.0%, from HK\$5.6 million for the year ended 31 December 2014 to HK\$1.4 million for the year ended 31 December 2015, due to our disposal of investment properties in April 2015.

Distribution and Selling Expenses

Distribution and selling expenses decreased by HK\$2.0 million, or 13.4%, from HK\$14.9 million for the year ended 31 December 2014 to HK\$12.9 million for the year ended 31 December 2015, primarily

FINANCIAL INFORMATION

due to a decrease in our export transportation costs as we continued to move a significant amount of our production capacity from China to Bangladesh as our inland transportation costs are lower for the Bangladesh Production Base than the China Production Base, notwithstanding an increase in our total sales volume over the same periods.

Administrative Expenses

Administrative expenses increased by HK\$10.3 million, or 12.5%, from HK\$82.2 million for the year ended 31 December 2014 to HK\$92.5 million for the year ended 31 December 2015, primarily due to an increase in our travelling, social and motor car expenses. Travelling, social and motor car expenses increased primarily due to increases in our intra group travel among our headquarters in Hong Kong and production bases in China and Bangladesh as we moved our primary production base to Bangladesh and also increased our number of sales trips to the United States as we increased our sales in the United States.

Other Expenses

Other expenses increased by HK\$1.6 million, or 800.0%, from HK\$0.2 million for the year ended 31 December 2014 to HK\$1.8 million for the year ended 31 December 2015, primarily due to an increase in our donations in connection with our corporate social responsibility initiatives.

Finance Costs

Finance costs increased by HK\$0.1 million, or 0.8%, from HK\$12.4 million for the year ended 31 December 2014 to HK\$12.5 million for the year ended 31 December 2015 as we increased our bank borrowings to support our production expansion and trading financing as our sales increased.

Taxation

Our income tax expense increased by HK\$1.2 million, or 85.7%, from HK\$1.4 million for the year ended 31 December 2014 to HK\$2.6 million for the year ended 31 December 2015, primarily due to an increase in current tax in other jurisdictions of HK\$0.8 million as a result of our increased sales in Japan and an increase in deferred tax of HK\$0.4 million over the same period.

Profit and Net Profit Margin

As a result of the foregoing, our profit for the year was HK\$68.7 million for the year ended 31 December 2015 as compared to HK\$70.4 million for the year ended 31 December 2014. Our net profit margin decreased from 13.2% for the year ended 31 December 2014 to 12.4% for the year ended 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to invest in production facilities and equipment, repay our indebtedness, and fund working capital and normal recurring expenses.

FINANCIAL INFORMATION

Cash Flows

As at 31 December 2016, we had cash and cash equivalents of HK\$60.4 million and approximately HK\$60.7 million of unutilised bank credit facilities. The following table sets forth our cash flows for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Cash flows:			
Net cash flows from operating activities	35.8	24.7	29.2
Net cash flows used in investing activities	(64.5)	(159.5)	(101.5)
Net cash flows from financing activities	53.7	117.5	93.2
Net increase/(decrease) in cash and cash equivalents	25.0	(17.3)	20.9
Cash and cash equivalents at beginning of year	37.5	60.0	41.5
Effect of foreign exchanges, net	(2.5)	(1.2)	(2.0)
Cash and cash equivalents at the end of year	60.0	41.5	60.4

Net cash generated from operating activities

In the year ended 31 December 2016, we generated net cash from operating activities of HK\$29.2 million, primarily consisting of operating cash flows before movement in working capital of HK\$118.1 million, with negative adjustments of HK\$47.7 million for an increase in trade and other receivables as our revenue grew, and HK\$40.2 million for an increase in inventories as our management deemed it prudent to increase the inventory of raw materials to facilitate our production in a short period of time and minimise the chances of delayed production after taking into account that it usually takes 6 weeks for the delivery of raw materials from China or other jurisdictions to our Bangladesh Production Base, partially offset by an increase in trade and other payables of HK\$2.1 million as our scale of operations grew and we increased the inventory of raw materials, resulting in cash generated from operations of HK\$32.3 million. We also had profit tax paid in Hong Kong and other jurisdictions of HK\$3.2 million.

For the year ended 31 December 2015, we generated net cash from operating activities of HK\$24.7 million, primarily consisting of operating cash flows before movement in working capital of HK\$103.0 million, with negative adjustments of HK\$68.9 million for an increase in inventories as our management deemed it prudent to increase the inventory of raw materials to facilitate our production in a short period of time and minimise the chances of delayed production after taking into account that it usually takes 6 weeks for the delivery of raw materials from China or other jurisdictions to our Bangladesh Production Base, and HK\$22.0 million for an increase in trade and other receivables as our revenue increased, partially offset by an increase in trade and other payables of HK\$15.5 million as our scale of operations grew and we increased the inventory of raw materials, resulting in cash generated from operations of HK\$27.6 million. We also had profit tax paid in Hong Kong and other jurisdictions of HK\$2.9 million.

FINANCIAL INFORMATION

For the year ended 31 December 2014, we generated net cash from operating activities of HK\$35.8 million, primarily consisting of operating cash flows before movement in working capital of HK\$92.4 million, with negative adjustments of HK\$40.2 million for an increase in trade and other receivables as our revenue grew, HK\$19.1 million for an increase in inventories as our management deemed it prudent to increase our inventory of non-perishable raw materials to facilitate our production in a short period of time and minimise chances of delayed production after taking into account that it usually takes 6 weeks for the delivery of raw materials from China or other jurisdictions to our Bangladesh Production Base and HK\$0.4 million for payment for investment loss from derivative liabilities, partially offset by an increase in trade and other payables of HK\$1.1 million as our scale of operations grew and we increased the inventory of raw materials, resulting in cash generated from operations of HK\$33.8 million. We also had profit tax refund in Hong Kong and other jurisdictions of HK\$2.0 million.

Net cash used in investing activities

For the year ended 31 December 2016, we had net cash used in investing activities of HK\$101.5 million, primarily consisting of purchases of property, plant and equipment of HK\$88.6 million mainly for our operations in the Bangladesh and the United States, advance to directors of HK\$35.9 million, placement of pledged bank deposits of HK\$10.9 million in order to obtain further secured bank borrowing used mainly for our capital expenditure and working capital and additions to receivables arising from insurance contracts of HK\$11.7 million, partially offset by repayment from directors of HK\$39.4 million.

For the year ended 31 December 2015, we had net cash used in investing activities of HK\$159.5 million, primarily consisting of advance to directors of HK\$119.3 million and purchases of property, plant and equipment of HK\$66.0 million in connection with the capacity expansion of our Bangladesh Production Base, partially offset by repayment from directors of HK\$33.4 million.

For the year ended 31 December 2014, we had net cash used in investing activities of HK\$64.5 million, primarily consisting of advance to directors of HK\$32.1 million and purchases of property, plant and equipment of HK\$23.1 million in connection with the capacity expansion of our Bangladesh Production Base, additions to receivables arising from insurance contracts of HK\$8.9 million and placement of pledged bank deposits of HK\$3.2 million.

Net cash from financing activities

For the year ended 31 December 2016, we generated net cash from financing activities of HK\$93.2 million, primarily consisting of new mortgage and short term loans raised of HK\$218.1 million and an increase in trust receipts loans and discounted bills of HK\$22.4 million, which was partially offset by repayment of mortgage and short term loans of HK\$55.0 million, interest paid of HK\$16.3 million, dividend paid of HK\$50.0 million, repayment to a related company of HK\$17.5 million and repayment to an immediate holding company/intermediate holding company of HK\$9.3 million.

For the year ended 31 December 2015, we generated net cash from financing activities of HK\$117.5 million, primarily consisting of contribution from an intermediate holding company of HK\$116.7 million, advance from a related party of HK\$67.9 million and new mortgage and short term loans raised of HK\$38.0 million, partially offset by a decrease in trust receipts loans and discounted bills of HK\$21.8 million, repayment of mortgage and short term loans of HK\$49.6 million, repayment to a related company of HK\$15.1 million and interest paid of HK\$12.5 million.

FINANCIAL INFORMATION

For the year ended 31 December 2014, we generated net cash from financing activities of HK\$53.7 million, primarily consisting of new mortgage and short term loans raised of HK\$62.9 million, an increase in trust receipts loans and discounted bills of HK\$48.4 million and an advance from a related company of HK\$23.6 million, partially offset by repayments of mortgage and short term loans of HK\$27.5 million, repayment to a related company of HK\$18.9 million, interest paid of HK\$12.4 million, dividends paid of HK\$20.0 million and repayment to directors of HK\$7.1 million.

CAPITAL EXPENDITURES

Historical Capital Expenditures

We incurred capital expenditures for property, plant and equipment. Capital expenditures during these periods were primarily related to the expansion of our Bangladesh Production Base, acquisition of land and property, plant and equipment and were funded with cash from operating activities and bank borrowings.

The following table sets forth our capital expenditures during the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Capital Expenditures			
Property, plant and equipment	23.1	66.8	88.6

Planned Capital Expenditures

Our expected capital expenditures in 2017 and 2018 are approximately HK\$100 million and HK\$93 million, respectively, which are primarily for the construction of new facilities in Bangladesh. Such planned capital expenditure would be funded from (i) the proceeds from the Global Offering, (ii) cash from operating activities, and (iii) external funding sources. For details regarding the construction of our new facilities, see “Business – Our Operations in Bangladesh – Production Expansion Plans”.

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions and the economic and regulatory environment. See “Future Plans and Use of Proceeds” for further information.

FINANCIAL INFORMATION

CONTRACTUAL COMMITMENTS AND OBLIGATIONS

The following table sets forth our contractual obligations as at 31 December 2016.

	Payment due by period			Total
	Less than 1 year	1-5 years	More than 5 years	
	<i>(HK\$ in millions)</i>			
Contractual Obligations				
Trust receipts loans and discount bills	186.8	–	–	186.8
Mortgage and short term loans ⁽¹⁾	134.6	171.0	11.3	316.9
Trade payables	17.1	–	–	17.1
Amounts due to a related company	46.6	–	–	46.6
Amount due to an intermediate holding company/ immediate holding company	11.1	–	–	11.1
Amounts due to former ultimate holding company . . .	8.6	–	–	8.6
Amounts due to a former shareholder	0.6	–	–	0.6
Amounts due to a preferred shareholder	1.2	–	–	1.2
Derivative liabilities	2.2	0.8	–	3.0
Operating lease commitments	3.2	4.5	10.2	17.9
Finance lease obligations	0.2	–	–	0.2
Redeemable convertible preferred shares	–	137.1	–	137.1
Total	412.2	313.4	21.5	747.0

Note:

- (1) As mortgage and short term loans that are not repayable within one year from 31 December 2016 contain a repayment on demand clause, they are categorised as current liabilities.

WORKING CAPITAL

Taking into account our cash and cash equivalents on hand, cash generated from operating activities, the net proceeds of the Global Offering and our credit facilities maintained with our banks and financial institutions, we are satisfied that we will have available sufficient working capital for our present requirements, that is, for at least 12 months following the date of this prospectus.

FINANCIAL INFORMATION

CURRENT ASSETS AND LIABILITIES

The following table sets out our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
				<i>(unaudited)</i>
				<i>(HK\$ in millions)</i>
Current assets:				
Inventories	207.9	276.9	317.1	322.5
Trade and other receivables	119.6	141.5	191.2	204.0
Prepaid lease payments	0.4	0.3	0.3	0.3
Amounts due from directors	48.4	27.5	24.1	–
Amounts due from fellow subsidiaries	–	3.5	0.8	–
Tax recoverable	0.1	0.6	0.9	0.9
Pledged bank deposits	25.9	25.0	35.9	74.9
Bank balances and cash	59.9	41.5	60.4	67.6
Total current assets	462.2	517.0	630.7	670.2
Current liabilities:				
Trade and other payables	34.5	50.1	54.3	48.4
Amounts due to a related company	5.9	58.7	46.7	–
Amount due to former ultimate holding company	12.3	9.0	8.6	–
Amount due to a former shareholder	3.2	0.6	0.6	–
Amount due to a preferred shareholder	–	–	1.2	2.0
Amount due to an intermediate holding company/immediate holding company	–	19.9	11.1	–
Amount due to a minority shareholder	–	–	–	1.1
Tax payable	2.3	2.4	4.0	3.0
Secured bank borrowings	351.5	318.1	503.7	599.3
Obligation under finance leases	0.0	0.5	0.2	–
Derivative liabilities	1.3	3.5	3.0	1.5
Total current liabilities	411.0	462.8	633.4	655.3
Net current assets (liabilities)	51.2	54.2	(2.7)	14.9

FINANCIAL INFORMATION

Net Current Assets/Liabilities

As at 30 April 2017, our net current assets were HK\$14.9 million, consisting of current assets of HK\$670.2 million and current liabilities of HK\$655.3 million. Our net current assets increased by HK\$17.6 million, or 651.9%, from net current liabilities of HK\$2.7 million as at 31 December 2016. This increase was primarily due to an increase in trade and other receivables resulted from the increase in prepayment and deposits to suppliers and utilities deposits for our expanded Bangladesh Production Base after we completed the construction of the UEPZ Phase III Facility in January 2017, and an increase in pledged bank deposit (resulted from increase in secured bank borrowings), bank balances and cash, and settlement of amounts due to our related parties, which were partially offset by a decrease in amounts due from directors and an increase in secured bank borrowings.

As at 31 December 2016, our net current liabilities were HK\$2.7 million, consisting of current assets of HK\$630.7 million and current liabilities of HK\$633.4 million. Our net current assets decreased by HK\$56.9 million, or 105.0%, from HK\$54.2 million as at 31 December 2015. This decrease was primarily due to increases in secured bank borrowings used for expansion of our Bangladesh Production Base, partially offset by increases in inventories (including inventories for human hair for the purpose of enhancing high-end human hair extensions market), trade and other receivables, pledged bank deposits, bank balances and cash and decreases in amount due to a related company and an intermediate holding company/immediate holding company. The increases in inventories and trade and other receivables were mainly attributable to the increase of revenue and the expected expansion of our Bangladesh Production Base by completing the construction of the UEPZ Phase III Facility in January 2017.

As at 31 December 2015, our net current assets were HK\$54.2 million, consisting of current assets of HK\$517.0 million and current liabilities of HK\$462.8 million. Our net current assets increased by HK\$3.0 million, or 5.9%, from HK\$51.2 million as at 31 December 2014. This increase was primarily due to an increase in inventories and trade and other receivables among our current assets and a decrease in secured bank borrowings among our current liabilities as we obtained pre-IPO investment from SEAVI Advent and settled some of our bank loans, partially offset by decreases in amounts due from directors and bank balances and cash and increases in trade and other payables and amounts due to a related company and an intermediate holding company/immediate holding company. The increases in inventories and trade and other receivables were primarily due to the expansion of our Bangladesh Production Base (that is the completion of construction of the UEPZ Phase II Facility in late 2015). We increased the amounts due to our related parties used as working capital for our expanded Bangladesh Production Base.

INDEBTEDNESS

As at 31 December 2014, 2015, 2016 and 30 April 2017, our indebtedness consisted of secured bank borrowings, obligations under finance leases, amounts due to a related company, our intermediate holding company/immediate holding company, a former ultimate holding company, a former shareholder, a preferred shareholder and/or a minority shareholder and obligations under redeemable convertible preferred shares.

As at 30 April 2017, which is the latest practicable date of our indebtedness statement, our secured bank borrowings were HK\$599.3 million, and we had HK\$82.2 million of unutilised bank credit facilities. Our Directors confirm that there has been no material change in our indebtedness or contingencies since 30 April 2017 up to the date of this prospectus.

FINANCIAL INFORMATION

Bank Borrowings

The following table sets forth our secured bank borrowings as at 31 December 2014, 2015, 2016 and 30 April 2017:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>(unaudited)</i>			
	<i>(HK\$ in millions)</i>			
Secured Bank Borrowings				
Trust receipts loans and discounted bills	186.2	164.3	186.8	308.0
Mortgage and short term loans	165.4	153.8	316.9	291.3
Total	351.6	318.1	503.7	599.3

Trust receipts loans and discounted bills comprise bank loans and other facilities used for trade, and include letters of credit.

Mortgage and short term loans principally consist of bank borrowings used for indebtedness for purposes of purchasing materials and equipment to construct new production facilities. Mortgage and short term loans increased in the year ended 31 December 2016 as we increased our indebtedness for purposes of purchasing materials and equipment to construct new production facilities.

The following table sets out the carrying amounts and the currency of the borrowings as at 31 December 2014, 2015, 2016 and 30 April 2017:

Denominated in	As at 31 December			As at 30 April	Interest rate
	2014	2015	2016	2017	
	<i>(unaudited)</i>				
	<i>(HK\$ in millions)</i>				
HK\$	139.8	134.3	352.7	417.4	Hong Kong Dollar Prime Rate minus 2.5% to Hong Kong Dollar Prime Rate plus 1%/HIBOR plus 2.75%
US\$	211.8	183.8	151.0	181.9	LIBOR plus 3%

The bank borrowings are arranged at floating rates, and the average effective interest rates of the borrowings range from 1.44% to 5.75%, 1.39% to 5.75%, 1.39% to 5.25% and 1.43% to 5.25% per annum as at 31 December 2014, 2015, 2016 and 30 April 2017, respectively.

FINANCIAL INFORMATION

The maturity profile of our bank loans as at 31 December 2014, 2015, 2016 and 30 April 2017 were as follows:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
				<i>(unaudited)</i>
		<i>(HK\$ in millions)</i>		
Within 1 year.	247.7	221.3	321.4	448.6
After 1 year but within				
2 years	31.2	34.5	88.3	87.6
After 2 years but within				
5 years	49.3	50.3	82.7	53.0
After 5 years	23.4	12.0	11.3	10.1
Total bank borrowings	351.6	318.1	503.7	599.3

As at 31 December 2016, we have total bank borrowings of HK\$503.7 million, out of which HK\$186.8 million is trust receipts loans and discounted bills and can be rolled over by our existing trade facilities. The remaining HK\$316.9 million is mortgage and short term loans, out of which HK\$134.6 million is repayable within one year and HK\$182.3 million is repayable after one year. We will use our internal resources and/or loan facilities from commercial banks to repay our bank borrowings due within one year.

As at 31 December 2014, 2015, 2016 and 30 April 2017, our banking facilities were secured by:

- (a) a pledge of our bank deposits of approximately HK\$25.9 million, HK\$25.0 million, HK\$35.9 million and HK\$74.9 million, respectively;
- (b) safe custody of title deeds for our buildings of approximately HK\$4.2 million, HK\$3.7 million, HK\$3.6 million and HK\$3.6 million, and prepaid lease payments in the PRC of approximately HK\$2.0 million, HK\$1.7 million, HK\$1.6 million and HK\$1.7 million, respectively;
- (c) unlimited guarantees provided by Directors and our fellow subsidiaries;
- (d) a subordination agreement that provides the amounts due to directors advanced by them to our Company would be subordinated to the advance from a bank;
- (e) a negative pledge on the assets of subsidiaries in the PRC and Bangladesh;
- (f) insurance contracts entered for a Director; and
- (g) our investment properties and land and buildings in Hong Kong.

As at 31 December 2015, 31 December 2016 and 30 April 2017, our banking facilities were also secured by the land and buildings in Hong Kong held by subsidiaries of Ventures Day (our Company's fellow subsidiary which is under the control of the same controlling shareholder of our Company).

All the lending banks have agreed in principle that the charges on land and buildings of Ventures Day's subsidiaries and other guarantees or securities provided by our Directors, our Controlling Shareholders and their respective close associates will be released, and the subordination agreement will be terminated, subject to our Listing and their replacement by a corporate guarantee from our Company.

FINANCIAL INFORMATION

Under our loan facilities, the relevant subsidiaries (each in the capacity of borrower and/or guarantor) have agreed, among other things, to:

- maintain a minimum tangible net worth;
- conduct transactions subject to invoice financing loan or export loan with a party which is not a related company or associated company;
- ensure no subsequent security ranking in priority to or pari passu with any security that may be given to or held by the lending bank for the facility granted;
- comply with all applicable laws, ordinances, rules and regulations (including but not limited to not using the lending bank's accounts in dealings of proceeds from tax evasion);
- maintain a maximum gearing ratio;
- notify the bank for any dividend arrangement;
- ensure that all consents, licences, approvals, registrations and filings (as appropriate) in connection with the loan facilities, guarantee or securities as may be provided in relation to the loan facilities granted are duly obtained, completed and will remain in full effect throughout the period when there is outstanding under the facilities;
- submit, with reasonable promptness, details of any litigation, arbitration or administrative proceeding current or, to its knowledge, threatened or commenced against it;
- ensure that Mr. Chang Yoe Chong Felix and his associates maintain at least 51% shareholdings of our Company;
- ensure that Mr. Chang Yoe Chong Felix becomes our Chairman;
- maintain a maximum inventory turnover days;
- ensure that no direct or indirect on-lending of the proceeds of any loan facilities denominated in RMB (if any) to (i) any individuals and (ii) any designated business customers of the lending bank if the proceeds of such facilities (or any other RMB proceeds derived therefrom) are directly or indirectly credited to RMB accounts for the category of designated business customers which are maintained for limited purposes of handling RMB cashnotes obtained in their ordinary course of business as designated business customers and for RMB bond investment;
- ensure that the export bills under the lending bank's finance are for genuine trade purposes and no other financing has been requested from any other financial institution against the same set of invoices;
- top up the security back to 95% loan to valuation within 14 days if the loan to valuation ratio reaches 100%;
- provide a negative pledge over a director's key man insurance;
- seek prior written consent from the lending bank for the creation of any mortgage, debenture, charge, pledge, lien or other encumbrance (save a lien arising by operation of law in the ordinary course of trading) upon the whole or any part of its property;
- seek prior written consent from the lending bank for any assignment, transfer, sale or disposal of the whole or any part of its property;

FINANCIAL INFORMATION

- ensure that the loan to security value ratio (“LTV”) in respect of a loan facility made available to the borrow is maintained below 100% at all times and (in the event that the LTV exceeds 100%) provide additional security and/or repay such part of the loan outstanding so as to ensure that the aforementioned LTV is maintained; and
- immediately inform the lending bank if it suffers any material adverse change in its financial condition.

As at 31 December 2016, we had total bank borrowings of HK\$503.7 million, some of which were repayable on demand and included in the current liabilities. We did not comply with the debt covenants on maximum inventory turnover days and gearing ratio as at 31 December 2014 and 2015 in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$9.3 million and nil as at 31 December 2014 and 2015, respectively. We were regularly in discussion with the lending bank about our financial performance, but no formal approval for the waiver of our breach had been obtained prior to 2016. Despite the breach, we were able to enter into a new loan facility agreement with the same lending bank in the subsequent period, thereby replacing of the previous loan facility. When the new loan facility was renewed in 2016, the lending bank waived our breach of such covenants and removed such covenants from the new loan facility agreement. We did not comply with the debt covenants on the ratio of net debt to EBITDA (i.e. earnings before interest, taxes, depreciation, and amortization) and have not complied with the debt covenant the ratio of debt to tangible net worth since 31 December 2015, in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$8.3 million as at 31 December 2016. The relevant bank has subsequently waived the breach and any subsequent breach of the said covenants. We did not comply with the debt covenant on the gearing ratio in respect of certain bank borrowings with an aggregate carrying amount of approximately HK\$60.4 million as at 31 December 2016. The relevant bank has subsequently granted us a waiver of the debt covenant for the year ended 31 December 2016, and the relevant covenant was removed in the renewed loan facility in 2017. During the Track Record Period and up to the Latest Practicable Date, our Directors regularly reviewed our compliance with the covenants and confirmed that, save as disclosed above, we were not aware of any other breach of covenants in our existing banking facilities. During the Track Record Period and up to the Latest Practicable Date, none of our lending banks accelerated our outstanding indebtedness, and we did not experience any difficulties in obtaining bank loans.

When we realised the breaches of covenants in the loan agreements, we took the appropriate actions to rectify the breaches by obtaining the consents from the relevant lending banks to waive the breaches. In addition, we have implemented adequate and effective measures to enhance our internal control system to prevent the recurrence of breaches of debt covenants and to ensure our ongoing compliance with all the covenants in our loan agreements.

We established a loan management system to supervise and manage our bank loans and ensure compliance with loan covenants. The new system requires a bank loan compliance checklist to be approved and monitored by our finance officers. According to the loan management policy, prior consent of the lending bank must be obtained before we can take any act leading to the breaches of covenants under a loan agreement. Moreover, compliance with bank loan covenants will be monitored by staff in the finance department of each subsidiary, who must fill out a monthly compliance checklist. The compliance checklist will be reviewed monthly by the finance manager/controller of the subsidiary and further reviewed by our bank loan management officer. The bank loan management officer will perform spot checks on any written consents required from lending banks. We have appointed Ms. Leung Pui Yee as our bank loan management officer. Ms. Leung is also our Chief Financial Officer. As our bank loan management officer, she is responsible for ensuring ongoing compliance with bank loan covenants and reporting to our Board on our compliance .

Going forward, we will also ensure that when loan agreements are being negotiated, proposed terms and covenants will be carefully considered to ensure that we are, based on all surrounding circumstances and taking into account all relevant information available at such time, expected to be able to comply with the covenants under the loan agreements.

FINANCIAL INFORMATION

Obligation under Finance Leases

Our Group leases its motor vehicles under finance leases. The lease term is 2.7 years, 2.0 years and 2.0 years as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The interest rate underlying the obligation under the finance lease was fixed at the average contract rates ranging from 4.30%, 3.42% and 3.42% per annum during the same periods. The leases have no term of renewal or purchase options and escalation clauses. No arrangement has been entered into for contingent rental payments.

Amount Due to a Related Company

The amount due to Eastern Earnings (China) Company Limited, a related company of which Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix are directors and shareholders, is unsecured, interest-free and repayable on demand. The amount due to a related company amounted to HK\$5.9 million, HK\$58.7 million and HK\$46.7 million as at 31 December 2014, 2015 and 2016, respectively. The related company advanced cash each year to us to use for working capital as we continued to use funds to construct our Bangladesh Production Base.

As at 30 April 2017, we have settled all of the amount due to the aforesaid related company as at 31 December 2016, being HK\$46.7 million.

Amount Due to Former Ultimate Holding Company

The amount due to CLC Global Company (PTC) Limited, a company owned by CLC Family Trust and our former ultimate holding company, is unsecured, interest-free and repayable on demand. The amount due to our former ultimate holding company amounted to HK\$12.3 million, HK\$9.0 million and HK\$8.6 million as at 31 December 2014, 2015 and 2016, respectively. Our former ultimate holding company advanced cash to us for working capital purposes.

As at 30 April 2017, we have settled all of the amount due to our former ultimate holding company as at 31 December 2016, being HK\$8.6 million.

Amount Due to a Former Shareholder

The amount due to FC Global Company (PTC) Limited, a company owned by Felix Family Trust and our former shareholder, is unsecured, interest-free and repayable on demand. The amount due to such former shareholder amounted to HK\$3.2 million, HK\$0.6 million and HK\$0.6 million as at 31 December 2014, 2015 and 2016, respectively. Our former shareholder advanced cash to us for working capital purpose.

As at 30 April 2017, we have settled all of the amount due to our former shareholder as at 31 December 2016, being HK\$0.6 million.

Amount Due to a Preferred Shareholder

The amount due to our preferred shareholder is unsecured, interest-free and repayable within 12 months after the end of the reporting period. The amount due to our preferred shareholder amounted to nil, nil and HK\$1.2 million as at 31 December 2014, 2015 and 2016, respectively. The amount due to our preferred shareholder represents the interest payable under the Preferred Shares.

As at 30 April 2017, the amount due to our preferred shareholder increased to HK\$2.0 million. The amount due to our preferred shareholder will be fully settled prior to our Listing.

FINANCIAL INFORMATION

Amount Due to an Intermediate Holding Company/Immediate Holding Company

The amount due to Evergreen Holdings, our intermediate holding company/immediate holding company, is unsecured, interest-free and repayable on demand. The amount due to our intermediate holding company/immediate holding company amounted to nil, HK\$19.9 million and HK\$11.1 million as at 31 December 2014, 2015 and 2016, respectively. Evergreen Holdings advanced cash to us for working capital purposes.

As at 30 April 2017, we have settled all of the amount due to our intermediate holding company/immediate holding company as at 31 December 2016, being HK\$11.1 million.

Amount due to a Minority Shareholder

The amount due to Eastern Alpha Limited, a minority shareholder of Evergreen Printing, is of non-trade nature and unsecured, interest-free and repayable on demand. The amount occurred when each of Evergreen Factory and Eastern Alpha Limited, the shareholders of Evergreen Printing, advanced cash to Evergreen Printing on a pro rata basis based on the proportion of their shareholding in Evergreen Printing, for the purpose of purchasing machinery, after Evergreen Printing was incorporated in January 2017.

As at 30 April 2017, the amount due to the aforesaid minority shareholder amounted to HK\$1.1 million. The amount due to the minority shareholder will be fully settled prior to our Listing.

Redeemable Convertible Preferred Shares

As part of the Reorganisation, our Company issued 36,908,517 Preferred Shares to Evergreen Group on 22 June 2016 as part of the consideration for the acquisition of Evergreen Factory by Evergreen Investment. See “Our History and Development – Pre-IPO Investment” for the principal terms of the Preferred Shares.

For the purpose of the Reorganisation, on 29 June 2016, our Company, Evergreen Group, Evergreen Holdings, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and SEAVI Advent entered into a Reorganisation Deed. Upon the completion of the Reorganisation on 30 June 2016, Evergreen Holdings and SEAVI Advent held 100,000,000 Shares and 36,908,517 Preferred Shares, respectively. See “Our History and Development – Reorganisation” for details of our Reorganisation.

The Preferred Shares are designated as non-current financial liabilities at fair value through profit or loss.

The Preferred Shares were valued at fair value by our Group at the date of issuance on 22 June 2016 and 31 December 2016, with reference to an independent valuation provided by an independent professional valuer not connected to our Group, who has appropriate qualifications and recent experiences of valuation of similar financial instruments. The fair value of the Preferred Shares was determined by discounted cash flow analysis and option pricing method. For further information on the major assumptions adopted for the valuation of the Preferred Shares, see note 35 to the Accountants’ Report set forth in Appendix I to this prospectus.

Change in fair value of the Preferred Shares for the period from 22 June 2016 to 31 December 2016 was HK\$39.3 million. Accordingly, we recorded a loss of HK\$39.3 million on the change in fair value of the Preferred Shares for the year ended 31 December 2016. After the issuance of the Preferred Shares, the firm value of our Group increased due to enhancing business performance and changes in the general market conditions. The rising firm value induced an increase in fair value of the Preferred Shares for the year ended 31 December 2016, and their resulted accounting losses to our Group were recognised in that year. Upon the conversion of the Preferred Shares into the Shares immediately prior to the completion of the Global Offering, further changes in the fair value of the Preferred Shares will be recognised.

FINANCIAL INFORMATION

The movement of the Preferred Shares during the year ended 31 December 2016 are set out below:

	<u>Fair value of the Preferred Shares</u> <i>(HK\$ in millions)</i>
At issue date of 22 June 2016	165.9
Change in fair value of the Preferred Shares	<u>39.3</u>
At 31 December 2016	<u><u>205.3</u></u>

Save as disclosed above, 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 30 April 2017, being the latest practicable date for our indebtedness statement.

CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016 and 30 April 2017, we did not have any material contingent liabilities.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

The following table sets forth our inventory balances for raw materials, works-in-progress and finished goods as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Inventory			
Raw materials	150.1	204.0	217.4
Work-in-progress	33.7	33.3	47.6
Finished goods.	<u>24.1</u>	<u>39.6</u>	<u>52.1</u>
Total	<u><u>207.9</u></u>	<u><u>276.9</u></u>	<u><u>317.1</u></u>

FINANCIAL INFORMATION

During the Track Record Period, we had a large product portfolio tailored to the broad based needs of our customers in order to anticipate changes in fashion trends. Our management deemed it prudent that we also maintain a large inventory of synthetic fibres and human hair, given that these raw materials are non-perishable and would not become obsolete or impaired by virtue of a long storage period. Furthermore, as we transitioned our principal production base from China to Bangladesh, our management also deemed it prudent to increase our inventory levels of raw materials to take into account the longer transportation times for our suppliers to ship raw materials to our Bangladesh Production Base. As a result, our raw material inventory increased throughout the Track Record Period as our scale of operation increased. As our Board noted our high inventory level of raw materials in early 2016, it tried to maintain our raw materials in 2016 at a reasonable level reflecting our production capacities and expected sales. Therefore, our raw material inventory slightly increased despite the increase in our production scale in 2016.

Work-in-progress inventory remained stable during the years ended 31 December 2014 and 2015. As we expanded our production capacity after the completion of the construction of the UEPZ Phase II Facility in late 2015 which fully ramped up in 2016, our work-in-progress inventory for the year ended 31 December 2016 increased accordingly.

Finished goods inventory represents the level of finished goods inventory as at the balance sheet date. We generally ship our finished goods to our customers as soon as practicable and typically within one or two weeks after production had been completed, unless our customers requested a delay in shipment. Our finished goods inventory increased throughout the Track Record Period due to the increase in our scale of production.

As at 30 April 2017, we have utilised or sold HK\$162.0 million, or 51.1%, of the HK\$317.1 million inventory at hand as at 31 December 2016.

The following table sets forth our average inventory, cost of goods sold and inventory turnover days for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions, except turnover days)</i>		
Inventory			
Average inventory ⁽¹⁾	198.4	242.4	297.0
Cost of goods sold	(359.8)	(359.6)	(384.4)
Inventory turnover days ⁽²⁾	201	246	283

Notes:

- (1) Average inventory equals the arithmetic mean of the opening and closing balances of inventory of a given period.
- (2) Turnover days of inventories for a certain period is derived by dividing the average inventory by cost of goods sold and multiplying that figure by the number of days in the relevant period.

During the Track Record Period, our average inventory level increased as our production capacity increased and as our management deemed it prudent to increase the level of our raw material inventory.

FINANCIAL INFORMATION

During the Track Record Period, our inventory turnover days were relatively long as our management deemed it prudent to maintain a high level of raw materials for the following reasons:

- (1) due to the variety of our hair goods products and the expansion of our product portfolio, we need to maintain different types, sizes and colours of raw materials for such products;
- (2) high inventory level can assist us in accepting urgent purchase orders and starting productions in a short period of time, in particular when there is a change in the use of raw materials due to sudden changes in customers' taste, design and fashion trends; and
- (3) our Bangladesh Production Base sources most of our raw materials from China or other jurisdictions and it takes around 6 weeks for raw materials to be delivered to our Bangladesh Production Base. Our management deemed it prudent to increase the inventory level to minimise our chances of delayed production and shipment to our customers.

Trade and Other Receivables

The following table sets forth our trade and other receivables as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Trade and Other Receivables			
Trade receivables	94.0	111.3	121.6
Other receivables	3.1	2.4	6.7
Purchase rebate receivables	10.1	16.3	16.0
Other tax receivables	4.9	0.8	0.6
Prepayments	0.3	7.1	9.5
Deferred listing related expenses	–	–	4.7
Deposits paid to suppliers	7.2	3.6	32.1
Total	119.6	141.5	191.2

Our trade and other receivables represented 25.9%, 27.4% and 30.3% of our total current assets as at 31 December 2014, 2015 and 2016, respectively.

Trade receivables increased over the Track Record Period, primarily due to an increase in revenue during the Track Record Period.

Other receivables represent all other receivables, principally advances to staff and other third parties.

Purchase rebates represent rebates we receive from certain suppliers based on purchase volumes.

Other tax receivables relate to refunds for export for products exported by our China Production Base.

Prepayments primarily represent rent deposits for our leasehold properties, prepayment of utilities and insurance premiums.

Prepayment for listing related expenses are expenses we incur in connection with our Listing.

FINANCIAL INFORMATION

Deferred listing related expenses represent deferred expenses incurred for our Listing.

Deposits paid to suppliers represent deposits paid for certain raw materials. Our deposits paid to suppliers increased substantially in 2016 primarily due to increases in purchases of human hair for our expansion in the high-end human hair extensions markets and purchases of construction materials for polluted water treatment.

The following table sets forth our average trade receivables, revenue and trade receivables turnover days for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions, except turnover days)</i>		
Trade Receivables			
Average trade receivables ⁽¹⁾	71.2	102.6	116.5
Revenue	533.9	554.5	595.7
Trade receivables turnover days ⁽²⁾	49	68	72

Notes:

- (1) Average trade receivables equals the arithmetic mean of the opening and closing balances of trade receivables of a given period.
- (2) Turnover days of trade receivables for a certain period is derived by dividing the average trade receivables by revenue and multiplying that figure by the number of days in the relevant period.

Trade receivables turnover days increased for the years ended 31 December 2015 and 2016 as we increased sales during these periods to customers in the United States with whom we have long-term relationships and for whom we have allowed longer payment periods.

The following sets forth an aging analysis of our trade receivables as at the balance sheet dates indicated, based on the invoice date:

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Trade Receivables			
Within 60 days	66.1	90.3	81.1
61 to 90 days	13.8	16.4	23.5
91 to 120 days	8.9	2.8	13.5
Over 120 days	5.1	1.8	3.5
Total	93.9	111.3	121.6

In general, we allow a credit period up to 90 days to our customers. A longer credit period may be granted to large or long-established customers with good payment history.

Before accepting any new customers, we have an internal credit control system to assess the potential customers' credit quality, and the Board has delegated the management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 78%, 88% and 83% of the trade receivables as at 31 December

FINANCIAL INFORMATION

2014, 2015 and 2016, respectively, are neither past due nor impaired and have been assessed to be of good credit under our credit control system.

As at 31 December 2014, 2015 and 2016, trade receivables of HK\$20.5 million, HK\$13.1 million and HK\$20.4 million, respectively, are past due but not impaired. Such receivables relate to a number of customers with whom substantial settlements were subsequently made. An aging analysis of our trade receivables which are past due but not impaired, as at the balance sheet dates indicated, is set forth below.

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Aging of Trade Receivables that are Past Due but not Impaired			
Within 60 days	15.1	11.3	16.7
61 to 90 days	3.5	0.3	0.5
91 to 120 days	1.0	0.3	2.3
Over 120 days	0.9	1.2	0.8
Total	20.5	13.1	20.4

We have not provided impairment loss for trade receivables where the status of subsequent settlements of the trade receivables is satisfactory.

As at 30 April 2017, HK\$112.0 million, or 92.1%, of the HK\$121.6 million trade receivables outstanding as at 31 December 2016 were settled.

Trade and Other Payables

The following table sets forth our trade and other payables as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Trade and Other Payables			
Trade payables	6.4	13.2	17.1
Accrued staff costs	8.0	19.3	21.7
Accruals and other payables	20.2	17.6	15.5
Total	34.6	50.1	54.3

Trade payables increased to HK\$13.2 million as at 31 December 2015 because we increased our inventory levels in line with the increase of our working capital for the year ended 31 December 2015, partially offset by a decrease due to settlement of certain trade facilities by year end. Due to year-end settlement of trade facilities in 2015, trade payables as at 31 December 2016 were comparatively higher than trade payables as at 31 December 2015.

Accrual and other payable principally consisted of social benefit contributions and salary provisions. Accrued staff costs and accruals and other payables increased during the Track Record Period generally in line with our capacity expansion and/or an increase in the number of production employees.

FINANCIAL INFORMATION

The following table sets forth our average trade payables, cost of goods sold and trade payables turnover days for the years indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>(HK\$ in millions, except turnover days)</i>		
Trade Payables			
Average trade payables ⁽¹⁾	9.9	9.8	15.2
Cost of goods sold	(359.8)	(359.6)	(384.4)
Trade payables turnover days ⁽²⁾	10	10	14

Notes:

- (1) Average trade payables equals the arithmetic mean of opening and closing balances of trade payables of a given period.
- (2) Turnover days of trade payables for a certain period is derived by dividing the average trade payables by cost of goods sold and multiplying that figure by the number of days in the relevant period.

We generally have relatively low trade payables turnover days as we use trade facilities and other purchase financing to purchase a substantial amount of our supplies.

The following table sets forth an aging analysis of our trade payables as at the balance sheet dates indicated, based on invoice dates:

	As at 31 December		
	2014	2015	2016
	<i>(HK\$ in millions)</i>		
Trade Payables			
Within 60 days	6.4	13.2	17.1
Total	6.4	13.2	17.1

As at 30 April 2017, we have settled HK\$16.6 million, or 97.1%, of the trade payables outstanding as at 31 December 2016, being HK\$17.1 million.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see note 40 to the Accountants' Report set forth in Appendix I to this prospectus. It is our Directors' view that each of the related party transactions set out in note 40 to the Accountants' Report were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 April 2017, being the date of our most recent financial statements, we did not have any additional commitments, contingent liabilities or other off-balance sheet arrangements that are not recorded on our consolidated balance sheet but may result in future cash requirements.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of financial risks in the ordinary course of our business, primarily market risk, such as currency risk, interest rate risk, other price risk, credit risk and liquidity risk. Our Board reviews and approves policies for managing each of these risks and they are summarised below.

Currency Risk

We have sales and purchases denominated in foreign currencies, such as U.S. dollars and RMB, which expose us to foreign currency risk. Our Group mainly operates in China and Bangladesh where our operating expenses are denominated in RMB and Taka, respectively, while the majority of our sales are settled in U.S. dollars. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not our functional currency (i.e. the U.S. dollar). We prepare our consolidated financial statements in Hong Kong dollars for reporting purposes. Any aforementioned foreign currency-denominated amounts are translated into Hong Kong dollars. Other currency-denominated cash and cash equivalents and trade receivables are exposed to fluctuations in the value of the HK dollar against the currencies in which these cash and cash equivalents are denominated. As a result, fluctuations in currency exchange rates between the Hong Kong dollar and the aforementioned foreign currencies may result in volatility in our results of operations and may make it difficult to compare our results of operations from period to period.

As at 31 December 2014, 2015 and 2016, we also had certain outstanding foreign currency forward contracts to buy U.S. dollars, details of which are further presented in note 31 to the Accountants' Report set forth in Appendix I to this prospectus.

As at 31 December 2014, 2015 and 31 December 2016, certain monetary assets and monetary liabilities as detailed in note 7(b) to the Accountants' Report set forth in Appendix I to this prospectus are denominated in currencies other than our functional currency. If the U.S. dollar has weakened/strengthened by 5% against the RMB, with all other variables held constant, the profit or loss before tax for the year would have been approximately HK\$358,000, HK\$120,000 and HK\$38,000 higher/lower, respectively.

Interest Rate Risk

We have exposure to fair value interest rate risk in relation to pledged bank deposits which carried fixed interest rates.

We also have exposure to interest rate risk in relation to bank balances and variable-rate bank borrowings. However, from time to time, if interest rates fluctuate significantly, we may enter into interest rate swaps to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure. As at 31 December 2016, we have entered into interest rate swap contract with details set out in note 31 to the Accountants' Report set forth in Appendix I to this prospectus.

It is our policy to keep our borrowings at floating rates of interest so as to minimise the fair value interest rate risk. Our interest rate risk is primarily concentrated on the fluctuation of Hong Kong Dollar Prime Rate, Hong Kong Interbank Offered Rate and London Interbank Offered Rate, arising from our Hong Kong dollar and U.S. dollar borrowings.

Interest rate risk in relation to variable-rate bank balances is considered insignificant as most of them are short-term in nature.

FINANCIAL INFORMATION

Other Price Risk

Our available-for-sale investments and derivative liabilities are measured at fair value at the end of the reporting period. Therefore, we are exposed to other price risk. Our management manages this exposure by maintaining a portfolio of investments with different risk profiles. Other than the available-for-sale investments, our management considers other price risk to be insignificant.

Credit Risk

At the end of each reporting period, our Group's and Company's maximum exposure to credit risk will cause a financial loss to us due to failure to discharge an obligation by the counterparties, arising from the carrying amount of the respective recognised financial assets, as stated in the statement of financial position.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Our credit risk is primarily attributable to our trade receivables. In order to minimise the credit risk, we have delegated our sales team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that any or adequate impairment losses are made for irrecoverable amounts.

We also have customer concentration credit risk. As at 31 December 2014, 2015 and 2016, 22%, 24% and 19% of our total trade receivables, respectively, were due from our largest customer, and 58%, 66% and 63% of our total trade receivables, respectively, were due from our five largest customers.

In addition, we have geographic concentration of credit risk. As at 31 December 2014, 2015 and 2016, 66%, 74%, and 83%, respectively, of our total trade receivables was derived from customers located in the United States.

Our Group and our Company are exposed to concentration of credit risk on the amounts due from directors and a subsidiary during the Track Record Period. Our Group and our Company closely monitor the repayment from each of the directors and the subsidiary in order to minimise the credit risk. The amounts due from directors will be fully repaid to us prior to our Listing.

Liquidity Risk

Liquidity risk reflects the risk that we will have insufficient resources to settle our financial liabilities as they fall due. In managing liquidity risk, we monitor and maintain sufficient funds to meet all our potential liabilities as they fall due. It is applicable in normal market conditions as well as on the basis of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging our reputation.

Liquidity forecasts are produced on a monthly basis to ensure that utilisation of current facilities is optimised, on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity are maintained, and on a long-term projection basis for the purpose of identifying long-term strategic funding requirements. Our Board also continuously assesses our balance of capital and debt funding.

FINANCIAL INFORMATION

Our Board continuously manages liquidity risk on a regular basis and will increase the frequency of such assessment should the need arise. Ultimate responsibility for liquidity risk management rests with our Board, which has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

Our holdings of cash and short-term deposits, together with net cash flows from operations and proceeds from issue of new shares, are expected to be sufficient to cover our operating cost in the next financial year. We expect to have adequate sources of funding to finance us and manage our liquidity position.

As at 31 December 2014, 31 December 2015 and 31 December 2016, we have available unutilised bank loan facilities of approximately HK\$80.9 million, HK\$78.3 million and HK\$60.7 million, respectively.

SELECTED KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
		(%)	
Gross profit margin ⁽¹⁾	32.6	35.1	35.5
Net profit margin ⁽²⁾	13.2	12.4	5.5
Return on total assets ⁽³⁾	9.4	8.5	3.6
Return on equity ⁽⁴⁾	18.9	18.8	13.9
Current ratio ⁽⁵⁾	112.5	111.7	99.6
Gearing ratio ⁽⁶⁾⁽⁸⁾	87.6	97.0	495.4
Net debt to equity ratio ⁽⁷⁾⁽⁸⁾	66.2	76.8	428.2

Notes:

- (1) Gross profit margin is derived by dividing gross profit by revenue for the given year.
- (2) Net profit margin is derived by dividing profit for the year by revenue for the given year. The significant decrease in net profit margin from 12.4% for the year ended 31 December 2015 to 5.5% for the year ended 31 December 2016 was primarily due to the change in fair value of the Preferred Shares issued in June 2016 and our listing expenses. Without taking into account our listing expenses and the change in fair value of the Preferred Shares and the disposed investment properties, our adjusted net profit margin for the years ended 31 December 2014, 2015 and 2016 would have been 12.1%, 12.1% and 14.5%, respectively. Adjusted net profit margin eliminates the effect of change in fair value of the Preferred Shares and our listing expenses, which have been and may continue to be significant recurring factors in our business prior to the completion of the Global Offering. It also eliminates the effect of change in fair value of the investment properties which were disposed of in April 2015. The term of adjusted net profit margin is not defined under HKFRS. The use of adjusted net profit margin has material limitations as an analytical tool, as adjusted net profit margin does not include all items that impact our net profit margin for the year.
- (3) Return on total assets is derived by dividing profit for the year by total assets, where total asset is the average beginning and ending balances of total assets for the given year.
- (4) Return on equity is derived by dividing profit for the year by total equity, where total equity is the average beginning and ending balances of total equity for the given year.
- (5) Current ratio is derived by dividing current assets by current liabilities at the end of a given year.
- (6) Gearing ratio is derived by dividing total interest-bearing debt (including secured bank borrowings, obligations under finance leases and redeemable convertible preferred shares) by total equity at the end of a given year.
- (7) Net debt to equity ratio is derived by dividing net debt (being our total interest-bearing debt net of (i) pledged bank deposits and (ii) bank balances and cash) by total equity at the end of a given year.

FINANCIAL INFORMATION

- (8) The significant increase in the gearing ratio and net debt to equity ratio for the year ended 31 December 2016 primarily reflected the change of fair value of the Preferred Shares issued in June 2016, an increase in secured bank borrowings and a decrease in reserves as a result of declared dividends for the period.

All Preferred Shares will be converted into Shares prior to the completion of the Global Offering. Assuming the Preferred Shares had been converted into Shares as at 31 December 2016, the gearing ratio and the net debt to equity ratio as at 31 December 2016 would have been 144.6% and 117.0%, respectively, on the basis that our total interest-bearing debt would have decreased by HK\$205.3 million while our total equity would have increased by HK\$205.3 million, which represents the fair value and the carrying amount of the Preferred Shares as at 31 December 2016.

The above unaudited pro forma financial information is solely to illustrate the impact of the conversion of the Preferred Shares on the unadjusted financial information of the Group as if the event had occurred as at 31 December 2016 for purposes of the illustration. There is no assurance that the actual outcome of the conversion as at 31 December 2016 would have been as presented.

Return on Total Assets

Our return on total assets was 9.4%, 8.5% and 3.6% for the years ended 31 December 2014, 2015 and 2016. The decrease from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily due to an increase in total assets and a decrease in net profit as a result of an increase in administrative expenses. The decrease from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily due to a decrease in our profit as a result of change in fair value of the Preferred Shares and our Listing expense.

Return on Equity

Our return on equity was 18.9%, 18.8% and 13.9% for the years ended 31 December 2014, 2015 and 2016, respectively. The decrease from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily due to a decrease in our profit as a result of change in fair value of the Preferred Shares and our Listing expenses, which is partially offset by a decrease in our total equity primarily as a result of declared dividends for the year.

Current Ratio

Our current ratio was 112.5%, 111.7% and 99.6% as at 31 December 2014, 2015 and 2016, respectively. The decrease from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily due to decreases in amounts due from directors and bank balance and cash and increases in trade and other payables and amounts due to a related company and an intermediate holding company/immediate holding company, partially offset by increases in inventories and trade and other receivables and a decrease in secured bank borrowings. The decrease from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily due to increases in secured bank borrowings. This decrease is partially offset by increases in inventories, trade and other receivables, bank deposits, bank balances and cash and decreases in amounts due to a related company and an intermediate holding company/immediate holding company.

Gearing Ratio

Our gearing ratio was 87.6%, 97.0% and 495.4% as at 31 December 2014, 2015 and 2016, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to a decrease in reserves as a result of the declaration of a cash dividend, which was partially offset by a decrease in secured bank borrowings. The increase from 31 December 2015 to 31 December 2016 was primarily due to the change in fair value of the Preferred Shares issued in June 2016, an increase in secured bank borrowings used mainly for capital expenditure and working capital and a decrease in reserves as a result of declared dividends for the year.

FINANCIAL INFORMATION

We expect that our gearing ratio will decrease substantially after the Listing due to an enlarged capital base from (i) our Listing proceeds, and (ii) conversion of the Preferred Shares into the Shares.

Net Debt to Equity Ratio

Our net debt to equity ratio was 66.2%, 76.8% and 428.2% as at 31 December 2014, 2015 and 2016, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to a decrease in reserves as a result of the declaration of a cash dividend, partially offset by a decrease in secured bank borrowings. The increase from 31 December 2015 to 31 December 2016 was primarily due to the change of fair value of the Preferred Shares issued in June 2016, an increase in secured bank borrowings used mainly for capital expenditure and working capital and a decrease in reserves as a result of declared dividends for the year, which was partially offset by an increase in pledged bank deposits and bank balances and cash.

DIVIDEND POLICY

Prior to the Reorganisation, our Group distributed dividends to its then shareholders in the aggregate amounts of HK\$20.0 million, HK\$268.0 million and HK\$50.0 million for the years ended 31 December 2014, 2015 and 2016, respectively, representing HK\$666.7, HK\$8,933.3 and HK\$0.37 per share based on 30,000 ordinary shares, 30,000 ordinary shares and 136,908,517 shares (comprising 100,000,000 Shares and 36,908,517 Preferred Shares), respectively.

The following table sets out our Group's dividend payout ratio (calculated based on dividend per share divided by earnings per share attributable to Owners of the Company based on the share capital at the end of the respective year) for the years indicated.

	For the year ended 31 December		
	2014	2015	2016
Dividend payout ratio.	28.4%	390.1%	152.6%

The dividends declared in the amount of HK\$268.0 million for the year ended 31 December 2015 were partly used to set off the amounts due to a former holding company, a former shareholder and directors. During the year ended 31 December 2015, our Group disposed of certain plant, property and equipment and investment properties to our Group's fellow subsidiaries at a consideration of HK\$72.0 million and HK\$69.2 million, respectively, representing their respective carrying amounts, which amounts were applied to set off the amounts due to a former holding company and a former shareholder. During the same period, HK\$106.8 million was also applied to set off the amounts due from certain directors. For further details, see notes 36(iii) and (iv) to the Accountants' Report set forth in Appendix I to this prospectus.

Other than the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period or by our Company since its incorporation.

We cannot guarantee that dividends will be paid in the future. After the completion of the Global Offering, we will declare dividends, if any, on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the discretion of our Directors and (if required) our Shareholders' approval, as well as applicable laws and regulations.

FINANCIAL INFORMATION

The declaration of dividends, in addition to the Cayman Companies Law and the Articles, is subject to the discretion of our Board, which we expect will take into account the following factors:

- our financial results;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board of Directors may deem relevant.

Subject to the above factors, we currently expect to distribute no less than 20% of our net distributable profit for each of the two financial years ending 31 December 2017 and 2018.

DISTRIBUTABLE RESERVES

As at 31 December 2016, our Company had no distributable reserves available for distribution to our Shareholders.

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with the SFC transaction levy and the Stock Exchange trading fee in connection with the Global Offering is estimated to be approximately HK\$51.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming the Over-allotment Option is not exercised), of which approximately HK\$48.5 million is payable by us and approximately HK\$3.3 million is payable by the Selling Shareholder. Approximately HK\$14.0 million of our listing expenses was charged to our income statement during the Track Record Period. The remainder of our listing expenses in the amount of approximately HK\$22.4 million is expected to be charged to our income statement, and the amount of approximately HK\$12.1 million is expected to be capitalised after Listing.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS

Based on our unaudited financial statements, our revenue and gross profit for the four months ended 30 April 2017 was approximately HK\$198.6 million and HK\$69.3 million, respectively, compared with HK\$191.1 million and HK\$59.0 million, respectively, for the four months ended 30 April 2016.

Our reporting accountants have conducted a review on our subsequent interim financial information for the four months ended 30 April 2017 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

On 19 June 2017, our Company approved the issuance of 324,341,483 Shares standing to the credit of the share premium account of our Company conditional on the share premium account of our Company having sufficient balance or otherwise being credited as a result of the Global Offering under the Capitalisation Issue on or around the Listing Date, details of which are set out in Appendix IV.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, except for the recognition of listing expenses as disclosed in “– Listing Expenses” above and the potential fair value loss to be recorded in relation to the Preferred Shares as disclosed in “– Indebtedness – Redeemable Convertible Preferred Shares” above, there has been no material adverse change in our business operations, result of operations, or financial or trading position since 31 December 2016 (being the date to which our Company’s latest consolidated financial results were prepared, as set forth in the Accountants’ Report included as Appendix I) up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.775 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$224.4 million, after deducting underwriting fees and commissions and other estimated expenses in connection with the Global Offering.

We intend to use the net proceeds of the Global Offering for the following purposes:

- (1) Approximately 49.2%, representing approximately HK\$110.4 million, will be used to increase our production capacity by constructing additional production facilities in our Bangladesh Production Base, of which approximately 56.9%, 8.1%, 20.3% and 14.7% will be used for construction of our Bleaching and Dyeing Complex, GT Hand Tie Facility, UEPZ Printing Facility and UEPZ Carton Facility, respectively;
- (2) Approximately 10.0%, representing approximately HK\$22.4 million, will be used for relocation of our research and display centre and sales office in Nantou, Shenzhen and establishment of a logistics centre in Dongguan, Guangdong;
- (3) Approximately 10.8%, representing approximately HK\$24.3 million, will be used for the expansion of our business, of which approximately 29.6% will be used for establishing sales offices for high-end human hair extensions in Asia, approximately 33.4% will be used towards further development of our e-commerce business by, among other methods, improving the appearance and functionality of our online sales platforms, initiating different product lines and recruiting a professional marketing team, and approximately 37.0% will be used towards the expansion of our Halloween costume sales;
- (4) Approximately 20.0%, representing approximately HK\$44.9 million, will be used to repay outstanding trust receipt loans in the aggregate amount of approximately HK\$44.9 million with maturities of up to 120 days bearing interest at LIBOR plus 3%;
- (5) Approximately 10.0%, representing approximately HK\$22.4 million, will be used as our working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

If the Offer Price is fixed at HK\$1.90 per Offer Share (being the high end of the Offer Price range for the Global Offering), we will receive net proceeds of approximately HK\$256.4 million.

If the Offer Price is fixed at HK\$1.65 per Offer Share (being the low end of the Offer Price range for the Global Offering), the net proceeds we receive will be approximately HK\$220.3 million.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement, if there is any change to the above proposed use of proceeds.

Assuming the Over-allotment Option is not exercised, the net proceeds of the 30,750,000 Sale Shares, based on the Offer Price of HK\$1.775 per Offer Share (being the mid-point of the indicative Offer Price range for the Global Offering), would be approximately HK\$51.3 million, representing 18.6% of the total net proceeds from the Global Offering. In the event that the Over-allotment Option is exercised in full, the Selling Shareholder will receive additional net proceeds from the additional 27,675,000 Sale Shares ranging from approximately HK\$42.9 million (assuming an Offer Price of HK\$1.65 per Share, being the low end of the indicative Offer Price range) to HK\$49.4 million (assuming an Offer Price of HK\$1.90 per Share, being the high end of the indicative Offer Price range), after deducting underwriting fees and commissions and estimated expenses payable by the Selling Shareholder in connection with the Global Offering. The net proceeds of the Sale Shares will be attributable to the Selling Shareholder only and will not belong to our Company.

UNDERWRITING

HONG KONG UNDERWRITERS

CIMB Securities Limited

Guotai Junan Securities (Hong Kong) Limited

Fortune (HK) Securities Limited

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

Mason Securities Limited

Huarong International Securities Limited

Aristo Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Placing Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to procure subscribers for, or themselves to subscribe for, their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer.

Grounds for termination

The Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Bookrunners shall be entitled by notice to the Company to terminate the Hong Kong Underwriting Agreement jointly with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) 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 disease, economic sanctions (in

UNDERWRITING

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); or

- (ii) any change, or any event or series of events likely to result in any change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions, in or affecting Bangladesh, the PRC, Hong Kong, the United States, the European Union (or any member thereof), the Cayman Islands, or any other jurisdiction relevant to any member of the Group; or
- (iii) 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 Shanghai Stock Exchange, the Shenzhen Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange; or
- (iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent authority), Bangladesh, the PRC, or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (v) any new national, central, federal, provincial, state, regional, municipal, local, domestic or foreign laws (including, without limitation, any common law and case law), rules (including without limitation the Listing Rules), statutes, ordinances, legal codes, regulations, guidelines, measures, opinions, notices, circulars, orders, judgment, decrees, rulings (in each case, whether formally published or not and to the extent mandatory or, if not complied with, the basis for legal, administrative, regulatory or judicial consequences) of any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory commission, board, body, authority or agency, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign (“**Laws**”) or any change in existing Laws or any change in the interpretation or application thereof by any court or other competent authority in or affecting the Cayman Islands, the BVI, Hong Kong, Bangladesh, the PRC, the United States or any other jurisdiction relevant to any member of the Group; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, Hong Kong, the United States, the European Union (or any member thereof), Bangladesh, the PRC or any other jurisdiction relevant to any member of the Group; or
- (vii) a change in all forms of tax whenever created, imposed or arising and whether of Hong Kong, the PRC, Bangladesh, the Cayman Islands, the BVI, Japan, the United States or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of tax on or relating to profits, salaries, interest and other forms of

UNDERWRITING

income, tax on capital gains, sales and value added tax, estate duty, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any tax, duty, impost, levy, rate, charge or any amount payable to revenue, customs or fiscal Authorities whether of Hong Kong, the PRC, Bangladesh, the Cayman Islands, the BVI, Japan, the United States or of any other part of the world, whether by way of actual assessment, loss of allowance, deduction or credit available for relief or otherwise, and including any penalties and/or interest arising in respect of any tax, exchange control, currency exchange rates or foreign investment regulations, or the implementation of any exchange control (except for the PRC), in Hong Kong, Bangladesh, the PRC, the United States, or any other jurisdiction relevant to any member of the Group; or

- (viii) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings (in each case whether joint or several) of any third party being threatened or instigated against any member of the Group or the Controlling Shareholders; or
- (ix) a 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
- (x) Mr Chang Yoe Chong Felix vacating his office as the chairman, the chief executive officer or an executive Director; or
- (xi) a prohibition on the Company or the Selling Shareholder (as the case may be) for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares to be offered under the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale 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,

which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators unanimously (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor:

- (1) has or will or is likely to have a material adverse change, or any development involving an imminent material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of (i) the Company and the other members of the Group, taken as a whole, or (ii) the Controlling Shareholders (as the case may be) ("**Material Adverse Change**"); or
- (2) has or will or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

UNDERWRITING

- (3) makes or will or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to complete and proceed; or
 - (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there shall develop, occur, exist or come into effect:
- (i) that any statement contained in any of Prospectus, the Application Forms, the formal notice and/or any notices, announcement published on the Stock Exchange website and/or advertisement, documents or other written materials (including any advertisements, brochures, marketing materials and presentations) (including any supplement or amendment thereof) approved to be used by the Company in connection with the Hong Kong Public Offer (collectively, the “**Hong Kong Public Offer Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offer Documents is not fair, honest and based on reasonable assumptions; or
 - (ii) 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 material misstatement in, or constitute a material omission from, any of the Hong Kong Public Offer Documents; or
 - (iii) any breach of, or any event rendering materially untrue or incorrect, in any respect, any of the representations and undertakings of each of the Company, Mr. Chang Yoe Chong Felix, Mr. Chang Chih Lung, Evergreen Holdings, CLC Investment, FC Investment and Golden Evergreen (collectively, the “**Indemnifying Parties**”) in the Hong Kong Underwriting Agreement;
 - (iv) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties pursuant to the indemnities undertaken by each of the Indemnifying Parties pursuant to the Hong Kong Underwriting Agreement; which would have a Material Adverse Effect; or
 - (vi) any adverse change or development involving a prospective adverse change in the assets, liabilities, conditions, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance, of the Company, the Group as a whole and/or any member of the Group which has a substantial business operation; or

UNDERWRITING

- (vii) the grant by the Listing Committee of the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange (including any additional existing Shares to be sold pursuant to any exercise of the Over-allotment Option and any additional Shares which may be issued pursuant to the options granted under the Share Option Scheme) (the “**Admission**”) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (ix) material non-compliance of the Prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (x) an order or petition for the winding up or bankruptcy of any of the Controlling Shareholders or any Group Company with substantive business operations or any composition or arrangement made by any such Group company with its creditors or a scheme of arrangement entered into by any such Group company or any resolution for the winding-up of any such Group company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any such Group company or anything analogous thereto occurring in respect of any such Group company.

Undertakings

Undertakings to the Stock Exchange

(A) Undertakings by our Company

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we shall not, without the prior consent of the Stock Exchange or unless in compliance with the requirement of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company at any time during the period of six months from the Listing Date (whether or not such issue of Shares or other securities will be completed within the six-month period), except pursuant to the Global Offering (including any allotment and issue of Shares pursuant to the Capitalisation Issue) and the Share Option Scheme (including grant of options thereunder or allotment and issue of Shares pursuant to exercise of any options which may be granted thereunder) or for the circumstances provided under Rule 10.08(1) to (4) of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Global Offering, (a) they will not, at any time during the period commencing from the date of 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, interest or encumbrances in respect of, any of the Shares in respect of which they are

UNDERWRITING

shown by this prospectus to be the beneficial owner(s); and (b) they will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, they would cease to be the Controlling Shareholders of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the shares beneficially owned by it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended)) for a bona fide commercial loan. Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that they will, within a period commencing on the date of this prospectus and ending on a date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any securities of our Company beneficially owned by them in favour of an authorised institution pursuant to note (2) to Rule 10.07 of the Listing Rules, and the number of securities so pledged or charged; and
- (b) any indication received by them, either verbal or written, from any pledgee or chargee of any of the pledged or charged securities of our Company that any of such securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Undertakings under the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

We have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-month Period**”), our Company will not (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, the offer and grant of options, allotment and issue of Shares upon any exercise of any options which may be granted under the Share Option Scheme) without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, 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 any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, interest, right or preference, or any other encumbrance, security interest or right of any

UNDERWRITING

kind, granted to any third party (“**Encumbrance**”) over, or contract 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 our Company 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 subscribe for or purchase, any Shares or any other securities of our Company), or deposit Shares with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares, any other securities of our Company 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 subscribe for or purchase, any Shares or any other securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer to, or agree to, or announce any intention to, effect any transaction described in (a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of our Company will be completed within the First Six-month Period). We further agree that in the event that, at any time during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), our Company enters into any of the transactions described in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we will take all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market for the Shares or any other securities of our Company. Each of the Indemnifying Parties undertakes to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with such undertakings.

(B) Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders (other than CLC Management and FC Management) has undertaken to and use its best endeavours to procure CLC Management and FC Management to undertake to, our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that, save as pursuant to the Global Offering, each of the Controlling Shareholders will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules, at any time:

- (i) during the First Six-month Period:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an

UNDERWRITING

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 our Company 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 other securities of our Company, or securities in any company or entity which directly or indirectly holds the Shares); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other securities of our Company 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 other securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in (i)(a) or (i)(b) above; or
- (d) offer to, or agree to, or announce any intention to, effect any transaction described in (i)(a), (i)(b) or (i)(c) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of our Company will be completed within the First Six-month Period); and

- (ii) during the Second Six-month Period, enter into any of the transactions in paragraph (i)(a), (i)(b) or (i)(c) above or offer to or agree to or announce any intention to effect any such transactions if, immediately following any such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interest or Encumbrances, it will cease to be controlling shareholders (as defined in the Listing Rules); and
- (iii) until the expiry of the Second Six-month Period, in the event that it enters into any of the transactions in paragraph (i)(a), (i)(b) or (i)(c) 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 any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

The Controlling Shareholders (other than CLC Management and FC Management) have undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that at any time during the period from the date of the Hong Kong Underwriting Agreement to the date on which the Second Six-month Period expires, each of the Controlling Shareholders (other than CLC Management and FC Management) shall:

- (a) if any of them pledges or charges any Shares held by it/him/her as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform each of our Company and the Joint Global Coordinators in writing of any such pledges or charges and the number of Shares so pledged or charged; and

UNDERWRITING

- (b) if any of them receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform each of our Company and the Joint Global Coordinators in writing of any such indication.

Undertakings by SEAVI Advent

SEAVI Advent has undertaken to our Company that, except for the arrangement under the Global Offering (including the sale of initially 30,750,000 Sale Shares under the International Placing, the Over-allotment Option and the arrangements under the Stock Borrowing Agreement), for a period of six months from the Listing Date, SEAVI Advent will not dispose of, nor will it enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of its Shares.

International Placing

International Placing Agreement

In connection with the International Placing, we, the Controlling Shareholders (other than CLC Management and FC Management), and the Selling Shareholder, among others, expect to enter into the International Placing Agreement with the International Underwriters and the Sole Sponsor. Under the International Placing Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of the International Placing Shares being offered under the International Placing.

Under the International Placing Agreement, the Selling Shareholder expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offer, to require the Selling Shareholder to sell up to an aggregate of 27,675,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price to, among other things, cover over-allocations, if any, in the International Placing.

It is expected that the International Placing Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors are reminded that if the International Placing Agreement is not entered into, the Global Offering will not proceed and will lapse.

Commissions and expenses

The Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commissions.

For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we and the Selling Shareholder will pay an underwriting commission at the rate applicable to the International Placing, and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

UNDERWRITING

The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued under the Global Offering. Our Company may also in its sole and absolute discretion pay an additional discretionary commission of up to HK\$1,250,000 to any one or more Hong Kong Underwriters or a combination of any of the Hong Kong Underwriters.

The aggregate commissions (inclusive of any discretionary commission), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Shares offered under the Global Offering, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$51.8 million in total (assuming an Offer Price of HK\$1.775, which is the midpoint of the indicative Offer Price range), and assuming Over-allotment Option is not exercised, of which approximately HK\$48.5 million is payable by us and approximately HK\$3.3 million is payable by the Selling Shareholder.

Activities by syndicate members

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offer and the International Placing, together referred to as “Syndicate Members,” may individually undertake and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilising Manager or its designated affiliate as the stabilising manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing, and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as an agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the section headed “Structure of the Global Offering – Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

Underwriters’ interest in our Group

Other than as disclosed in this prospectus, the obligations under the Hong Kong Underwriting Agreement and the International Placing Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sole Sponsor’s independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offer of 18,450,000 Offer Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed “– Hong Kong Public Offer” below; and
- (ii) the International Placing of 166,050,000 Offer Shares (comprising 135,300,000 new Shares and 30,750,000 Sale Shares to be offered by the Selling Shareholder, and subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including with professional, institutional investors, and corporate investors and other investors who we anticipate to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares in the International Placing. Prospective investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation as described in “– Pricing and Allocation” below.

References in this prospectus to applications, Application Forms, application or subscription monies, or the procedure for application relate only to the Hong Kong Public Offer.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and our Company 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 4 July 2017 and, in any event, no later than 10 July 2017.

The Offer Price will be not more than HK\$1.90 per Offer Share and is currently expected to be not less than HK\$1.65 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further 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.

STRUCTURE OF THE GLOBAL OFFERING

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be inappropriate, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer on 4 July 2017, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notices will also be available at our website at www.epfhk.com and the website of the Stock Exchange at www.hkexnews.hk, and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offer was opened 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 Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offer. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global 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. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Allocation of the International Placing Shares under the International Placing will be determined by the Joint Global Coordinators 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 Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. The allocation of the Hong Kong 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 the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The applicable Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, the basis of allocations of the Hong Kong Offer Shares, and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares – F. Publication of Results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offer will be conditional on, among others:

- (a) the granting by the Listing Committee of the listing of, and permission to deal in, the Shares in issue, the Offer Shares and the Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme;
- (b) the Offer Price having been duly determined and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;
- (c) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under the Hong Kong Underwriting Agreement and the International Placing 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 the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 3 August 2017, being the 30th day after the last date for the lodging of applications under the Hong Kong Public Offer.

If, for any reason, the Offer Price is not agreed on or before 10 July 2017 among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and our Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published 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 case, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares – I. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on 11 July 2017 but will only become valid certificates at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering 18,450,000 Offer Shares at the Offer Price, representing 10% of the 184,500,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 3.0% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size): Pool A will comprise 9,226,000 Hong Kong Offer Shares and Pool B will comprise 9,224,000 Hong Kong Offer Shares, both of which will be available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy, and Stock Exchange trading fee) of HK\$5 million or less will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK\$5 million will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong 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 the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for the Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or in both pools will be rejected. No application will be accepted from applicants for more than 9,224,000 Hong Kong Offer Shares (being approximately 50% of the initial number of the Hong Kong Offer Shares).

Reallocation and clawback

The allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offer represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, or (c) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 55,350,000, 73,800,000, or 92,250,000 Offer Shares, respectively, representing 30% (in the case of (a)), 40% (in the case of (b)), and 50% (in the case of (c)), of the total number of Offer Shares initially available under the Global Offering. In such cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B.

STRUCTURE OF THE GLOBAL OFFERING

If either the Hong Kong Public Offer or the International Placing is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other in such proportions as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate International Placing Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offer and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, 11 July 2017.

Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that the investor is excluded from any application for the Hong Kong Offer Shares under the Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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 International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the undertaking and/or confirmation is breached or untrue (as the case may be) or such applicant has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.90 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.90, being the maximum Offer Price, we will refund the difference (including brokerage, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription or sale under the International Placing will be 166,050,000 Offer Shares (comprising 135,300,000 new Shares and 30,750,000 Sale Shares to be offered by the Selling Shareholder, subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering and approximately 27.0% of our enlarged issued share capital immediately after the Global Offering. The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Under the International Placing, the International Underwriters will conditionally place our Offer Shares with professional, institutional and corporate investors and other investors who we anticipate to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Placing Shares under the International Placing will be effected in accordance with the book-building process described in “– Pricing and Allocation” above and 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 Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares, which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, and the Offer Shares being offered under the Global Offering (including Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Save as disclosed above, no part of our Share 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.

OVER-ALLOTMENT OPTION

It is expected that the Selling Shareholder will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time within 30 days after the last date for lodging applications under the Hong Kong Public Offer. Under the Over-allotment Option, the Stabilising Manager or its agent will have the right to require the Selling Shareholder to sell up to an aggregate of 27,675,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering to cover over-allocations in the International Placing, if any. These Shares will be sold at the Offer Price. An announcement will be made if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

To facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 27,675,000 Shares, representing 15% of the Offer Shares (being the maximum number of Offer Shares which may be offered upon exercise of the Over-allotment Option) initially being offered under the Global Offering, from the Selling Shareholder to cover over-allocations through the stock borrowing arrangement under the Stock Borrowing Agreement, or acquire Shares from other sources.

STRUCTURE OF THE GLOBAL OFFERING

If such stock borrowing arrangement with the Selling Shareholder is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocations in the International Placing. The same number of Offer Shares so borrowed must be returned to the Selling Shareholder or its 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 and the relevant Offer Shares subject to the Over-allotment Option have been sold. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules, and regulatory requirements. No payment will be made to the Selling Shareholder by the Stabilising Manager or its agent in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. 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, CIMB Securities Limited, as Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate Shares or effect short sales or any other stabilising 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. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilising Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which, if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely, 27,675,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.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.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** 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 for Hong Kong Offer Shares

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail 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 Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 from:

- (1) any of the following addresses of the Hong Kong Underwriters:

CIMB Securities Limited 25th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited 35/F Office Tower
Convention Plaza
No.1 Harbour Road
Wanchai
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

<p>China Galaxy International Securities (Hong Kong) Co., Limited</p>	<p>Units 3501-7 & 3513-14 35/F, Cosco Tower 183 Queen's Road Central Hong Kong</p>
<p>Mason Securities Limited</p>	<p>Portion 1, 12/F, The Center 99 Queen's Road Central Hong Kong</p>
<p>Huarong International Securities Limited</p>	<p>29/F One Pacific Place 88 Queensway Hong Kong</p>
<p>Aristo Securities Limited.</p>	<p>Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong</p>

(2) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shop 1021 United Centre 95 Queensway
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East Wan Chai
Kowloon	Yau Ma Tei Branch	471 Nathan Road Yau Ma Tei
	Hoi Yuen Road Branch	55 Hoi Yuen Road Kwun Tong
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2 Ma On Shan Plaza Sai Sha Road Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – EVERGREEN PRODUCTS GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 29 June 2017 – 9:00 a.m. to 5:00 p.m.
- Friday, 30 June 2017 – 9:00 a.m. to 5:00 p.m.
- Monday, 3 July 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 4 July 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 July 2017, the last application day or such later time as described in "E. Effect of Bad Weather on the Opening of the Application Lists" below.

4. Applying Through HK eIPO White Form Service

General

Individuals who meet the criteria in "– 2. Who Can Apply for Hong Kong Offer Shares" above, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 29 June 2017 until 11:30 a.m. on Tuesday, 4 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 July 2017 or such later time as described in "– E. Effect of Bad Weather on the Opening of the Applications Lists" below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** 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 **HK eIPO White Form** 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, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

5. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies 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 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors,

HOW TO APPLY FOR HONG KONG OFFER SHARES

officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a 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;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, 29 June 2017 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 30 June 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Monday, 3 July 2017 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, 4 July 2017 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 (24 hours daily, except on the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 4 July 2017 the last application day or such later time as described in “– E. Effect of Bad Weather on the Opening of the Application Lists”.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** 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:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. 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 **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any Share 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 this prospectus to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Forms

You may refer to the **YELLOW** Application Form for details.

C. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided 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. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Tuesday, 4 July 2017.

D. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** or **YELLOW** Application Form, or as otherwise specified on the designated website at **www.hkeipo.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).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

E. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

F. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 11 July 2017 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on our Company’s website at **www.epfhk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.epfhk.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, 11 July 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 11 July 2017 to 12:00 midnight on Monday, 17 July 2017;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 July 2017 to Friday, 14 July 2017 (excluding Saturday and Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 11 July 2017 to Thursday, 13 July 2017 at the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

G. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or via the **HK eIPO White Form** 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 a Saturday, Sunday or public holidays in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** 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.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in “– A. Applications for Hong Kong Offer Shares – 6. How Many Applications Can You Make” above;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker’s cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 9,224,000 Hong Kong Offer Shares under the Hong Kong Public Offer.

HOW TO APPLY FOR HONG KONG OFFER SHARES

H. 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\$1.90 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” 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 around Tuesday, 11 July 2017.

I. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card 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 cheque(s) and Share certificates are expected to be posted on or around Tuesday, 11 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, 12 July 2017 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 July 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 11 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 11 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Tuesday, 11 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the section headed "F. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 July 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto 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 Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 11 July 2017 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 despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched 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 Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 11 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in “– F. Publication of Results” above on Tuesday, 11 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 11 July 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 11 July 2017.

J. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

29 June 2017

The Directors
Evergreen Products Group Limited
CIMB Securities Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Evergreen Products Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred as the “Group”) for each of the three years ended 31 December 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 29 June 2017 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company was incorporated on 19 May 2016 and registered as an exempted company with limited liability in the Cayman Islands under Companies Law. Through a group reorganisation as more fully explained in the section “Our History and Development” in the Prospectus (the “Group Reorganization”), the Company has become the holding company of the companies now comprising the Group on 22 June 2016.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Issued and fully paid-up capital/ contributed capital	Attributable equity interest to the Group			At the date of the report	Principal activities
			At 31 December				
			2014	2015	2016		
Subsidiaries							
昆明訓修髮製品有限公司 Kunming Evergreen Hair Products Co., Ltd. (“Evergreen Factory KM”)	The People’s Republic of China (the “PRC”) 13 July 1995	HK\$45,526,000	100%	100%	100%	100%	Manufacturing and trading of hair products
訓修實業(禹州) 有限公司 Evergreen Products Factory (YZ) Co., Ltd. (“Evergreen Factory (YZ)”)	PRC 5 September 2003	US\$2,000,000	100%	100%	100%	100%	Manufacturing and trading of hair products
訓修實業(深圳) 有限公司 Evergreen Products Factory (SZ) Co., Ltd. (“Evergreen Factory (SZ)”)	PRC 12 March 2003	US\$2,400,000	100%	100%	100%	100%	Technological development of hair products and property investment

Name	Place and date of incorporation/ establishment	Issued and fully paid-up capital/ contributed capital	Attributable equity interest to the Group			At the date of the report	Principal activities
			At 31 December				
			2014	2015	2016		
東莞訓修髮製品有限公司 Evergreen Products Factory (DG) Co., Ltd. ("Evergreen Factory (DG)") (Formerly known as 廣州訓修髮製品有限公司 Evergreen Products Factory (GZ) Co., Ltd.)	PRC 22 November 2006	US\$1,500,000	100%	100%	100%	100%	Property holding
深圳訓修髮製品有限公司 Shenzhen Evergreen Hair Products Co., Ltd. ("Shenzhen Evergreen")	PRC 9 May 2012	HK\$3,000,000	100%	100%	100%	100%	Manufacturing and trading of hair products
廣州市東珍纖維有限公司 Guangzhou Dong Jin Industrial Co., Ltd. ("GZ Dong Jin")	PRC 28 October 2004	US\$350,000	80%	80%	100%	100%	Manufacturing and trading of hair products
Evergreen Enterprise Investment Limited ("EEIL")*	British Virgin Islands ("BVI") 30 May 2016	US\$1	–	–	100%	100%	Investment holding
Dava Investments Limited ("DIL")	BVI 13 January 2015	US\$100	–	100%	100%	100%	Investment holding
Easy Victory Enterprises Limited ("EVEL")	BVI 5 January 2015	US\$100	–	100%	100%	100%	Investment holding
Ace Equity Global Limited ("AEGL") [△]	BVI 25 November 2014	US\$100	–	100%	100%	100%	Investment holding
Ultimate Chance Limited ("UCL")	BVI 23 September 2009	US\$1,000 (2014: US\$1)	100%	100%	100%	100%	Not yet commence business
Speedy Pride Limited ("SPL")	BVI 12 February 2010	US\$1,000 (2014: US\$1)	100%	100%	100%	100%	Investment holding
Pleasant Cape Limited ("PCL")	BVI 9 December 2015	US\$10,000	–	100%	100%	100%	Investment holding
Golden Blossom Holdings Ltd. ("GBHL")	BVI 6 October 2016	US\$1	–	–	100%	100%	Investment holding
Rose Glade Limited ("RGL") ^{△△}	BVI 16 December 2015	US\$1	–	–	100%	100%	Investment holding
Wooden Kite Limited ("WKL") ^{△△}	BVI 9 December 2015	US\$1	–	–	100%	100%	Investment holding
Glassy Brick Holdings Limited ("GBH") ^{△△}	BVI 23 November 2015	US\$1	–	–	51%	51%	Investment holding
Jade Pride Holdings Limited ("JPH") ^{△△}	BVI 14 December 2015	US\$1	–	–	100%	100%	Investment holding

Name	Place and date of incorporation/ establishment	Issued and fully paid-up capital/ contributed capital	Attributable equity interest to the Group				Principal activities
			At 31 December			At the date of the report	
			2014	2015	2016		
Prime Day Global Limited (“PDG”)	BVI 1 April 2016	US\$100	-	-	100%	100%	Investment holding
Asia Treasure Investments Limited (“ATI”)	BVI 6 July 2016	US\$1	-	-	100%	100%	Not yet commence business
Evergreen Printing Limited (“EPPL”)	Hong Kong 3 January 2017	HK\$100	-	-	-	51%	Not yet commence business
Evergreen Products Factory Limited 訓修製品廠有限公司 (“Evergreen Factory”)	Hong Kong 14 December 1993	HK\$3,000,000	100%	100%	100%	100%	Manufacturing and trading of hair products and investment holding
Wisdom Ocean Limited (“Wisdom Ocean”)	Hong Kong 18 August 2005	HK\$10,000 (2014: HK\$1)	100%	100%	100%	100%	Trading of hair products through internet
EPF Global Enterprises Limited (“EPF Global”)	Hong Kong 18 December 2009	HK\$10,000	100%	100%	100%	100%	Trading of hair products
EPF International Limited (“EPF International”)	Hong Kong 18 December 2009	HK\$10,000	100%	100%	100%	100%	Trading of hair products
Bangladesh Factory Investment Consultant Co Ltd. (“Bangladesh Factory”)	Hong Kong 16 June 2011	HK\$10,000	100%	100%	100%	100%	Consultancy services
Dong Jin Industrial Company Limited (“Dong Jin”)	Hong Kong 9 August 2004	HK\$1,955,000	80%	80%	100%	100%	Trading of fibres and investment holding
Evergreen Products Factory (BD) Limited (“Evergreen Products (BD)”)	Bangladesh 30 September 2009	Taka50,000	100%	100%	100%	100%	Manufacturing and trading of hair products
Gold Timing Manufacture (BD) Limited (“Gold Timing”)	Bangladesh 22 April 2010	Taka100,000	100%	100%	100%	100%	Manufacturing and trading of hair products
Gold Rocket Limited (“Gold Rocket”)	Bangladesh 2 November 2011	Taka100,000	100%	100%	100%	100%	Providing consultation of custom clearance, export-import, shipping and transportation
Trillion Gold Limited (“Trillion Gold”)	Bangladesh 2 November 2011	Taka100,000	100%	100%	100%	100%	Not yet commence business

Name	Place and date of incorporation/ establishment	Issued and fully paid-up capital/ contributed capital	Attributable equity interest to the Group				Principal activities
			At 31 December			At the date of the report	
			2014	2015	2016		
Million Gold Limited ("Million Gold")	Bangladesh 2 November 2011	Taka100,000	100%	100%	100%	100%	Not yet commence business
Gold Soil Construction Limited ("Gold Soil")	Bangladesh 29 February 2012	Taka100,000	100%	100%	100%	100%	Not yet commence business
Dong Jin Industrial (BD) Company Limited ("Dong Jin BD")	Bangladesh 20 October 2011	Taka100,000	80%	80%	100%	100%	Manufacturing and trading of fibres
EPF Carton Limited ("EPF Carton")	Bangladesh 13 July 2016	Taka1,000,000	–	–	100%	100%	Not yet commence business
EPF Printing Limited ("EPF Printing")	Bangladesh 12 July 2016	Taka1,000,000	–	–	51%	51%	Not yet commence business
EPF Evergreen Agro Limited ("EPF Evergreen Agro")	Bangladesh 28 July 2016	Taka1,000,000	–	–	100%	100%	Not yet commence business
I-Corporation	Japan 1 September 2003	YEN3,000,000	100%	100%	100%	100%	Trading of hair products
Golden Chance Limited ("Golden Chance")	Japan 26 March 2010	YEN3,000,000	100%	100%	100%	100%	Trading of hair products through internet
E5 Co., Ltd ("E5")	Japan 22 November 2016	YEN9,000,000	–	–	51%	51%	Not yet commence business
Golden Times Investment LLC ("GTILLC")	The United States of America (the "USA") 4 January 2010	US\$99	100%	100%	100%	100%	Not yet commence business
Purple Stone Inc. ("PSI")	USA 4 April 2015	–	–	100%	100%	100%	Property holding
Purple Star Inc. ("PSIN")	USA 4 April 2015	–	–	100%	100%	100%	Trading of hair products through internet
Red Stone Inc. ("RSI")	USA 11 May 2016	US\$5,000	–	–	100%	100%	Property holding

* Directly held by the Company.

△ The Group obtained the equity interest of the entity during the year ended 31 December 2015.

△△ The Group obtained the equity interests of these entities during the year ended 31 December 2016.

All of the above subsidiaries and the Company adopt 31 December as the financial year end date.

The statutory financial statements of the following companies for each of the years ended 31 December 2014 and 2015 were prepared in accordance with the relevant principles and financial regulations applicable to the PRC, Hong Kong, Bangladesh or Japan, and were audited by the following certified public accountants registered in the PRC, Hong Kong, Bangladesh or Japan. No statutory financial statements have been prepared for the year ended 31 December 2016 except Evergreen Factory KM, Evergreen Factory (YZ), Evergreen Factory (SZ), Evergreen Factory (DG), Shenzhen Evergreen, GZ Dong Jin, Gold Rocket, EPF Carton, EPF Evergreen Agro, I-Corporation and Golden Chance as these financial statements are not yet due to be issued.

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditor</u>
Evergreen Factory KM	Year ended 31 December 2014	雲南匯眾永健會計師事務所有限公司
	Year ended 31 December 2015	雲南匯眾永健會計師事務所有限公司
	Year ended 31 December 2016	北京中証天通會計師事務所
Evergreen Factory (YZ)	Year ended 31 December 2014	鄭州興華會計師事務所有限公司
	Year ended 31 December 2015	鄭州興華會計師事務所有限公司
	Year ended 31 December 2016	河南邦威會計師事務所
Evergreen Factory (SZ)	Year ended 31 December 2014	深圳天地會計師事務所
	Year ended 31 December 2015	深圳天地會計師事務所
	Year ended 31 December 2016	深圳天地會計師事務所
Evergreen Factory (DG)	Year ended 31 December 2014	廣東立信嘉州會計師事務所有限公司
	Year ended 31 December 2015	廣東立信嘉州會計師事務所有限公司
	Year ended 31 December 2016	廣東立信嘉州會計師事務所有限公司
Evergreen Factory	Year ended 31 December 2014	Deloitte Touche Tohmatsu
	Year ended 31 December 2015	Deloitte Touche Tohmatsu
Shenzhen Evergreen.	Year ended 31 December 2014	深圳天地會計師事務所
	Year ended 31 December 2015	深圳天地會計師事務所
	Year ended 31 December 2016	深圳天地會計師事務所
GZ Dong Jin	Year ended 31 December 2014	廣東立信嘉州會計師事務所有限公司
	Year ended 31 December 2015	廣東立信嘉州會計師事務所有限公司
	Year ended 31 December 2016	廣東立信嘉州會計師事務所有限公司
Wisdom Ocean	Year ended 31 December 2014	Tang and Fok Certified Public Accountants
	Year ended 31 December 2015	Tang and Fok Certified Public Accountants
EPF Global	Year ended 31 December 2014	Tang and Fok Certified Public Accountants
	Year ended 31 December 2015	Tang and Fok Certified Public Accountants

<u>Name of company</u>	<u>Financial year</u>	<u>Name of auditor</u>
EPF International	Year ended 31 December 2014	Tang and Fok Certified Public Accountants
	Year ended 31 December 2015	Tang and Fok Certified Public Accountants
Bangladesh Factory	Year ended 31 December 2014	Bentleys C.P.A. Company Limited
	Year ended 31 December 2015	Bentleys C.P.A. Company Limited
Dong Jin	Year ended 31 December 2014	Deloitte Touche Tohmatsu
	Year ended 31 December 2015	Deloitte Touche Tohmatsu
Evergreen Products (BD)	Year ended 31 December 2014	Hoda Vasi Chowdhury & Co
	Year ended 31 December 2015	KPMG Rahman Rahman Huq
Gold Timing	Year ended 31 December 2014	Hoda Vasi Chowdhury & Co
	Year ended 31 December 2015	KPMG Rahman Rahman Huq
Gold Rocket	Year ended 31 December 2014	K. M. Hasan & Co.
	Year ended 31 December 2015	K. M. Hasan & Co.
	Year ended 31 December 2016	K. M. Hasan & Co.
Trillion Gold	Year ended 31 December 2014	K. M. Hasan & Co.
	Year ended 31 December 2015	K. M. Hasan & Co.
Million Gold	Year ended 31 December 2014	K. M. Hasan & Co.
	Year ended 31 December 2015	K. M. Hasan & Co.
Gold Soil	Year ended 31 December 2014	K. M. Hasan & Co.
	Year ended 31 December 2015	K. M. Hasan & Co.
Dong Jin BD	Year ended 31 December 2014	K. M. Hasan & Co.
	Year ended 31 December 2015	K. M. Hasan & Co.
EPF Carton	Year ended 31 December 2016	K. M. Hasan & Co.
EPF Evergreen Agro	Year ended 31 December 2016	K. M. Hasan & Co.
I-Corporation	Year ended 31 December 2014	Kenzo Fujii
	Year ended 31 December 2015	Kenzo Fujii
	Year ended 31 December 2016	Kenzo Fujii
Golden Chance	Year ended 31 December 2014	Satoshi Itakura
	Year ended 31 December 2015	Satoshi Itakura
	Year ended 31 December 2016	Satoshi Itakura

The Company and EEIL have not carried on any business since their respective dates of incorporation, save for the transactions relating to the Group Reorganization. As at the date of this report, no statutory audited financial statements have been prepared since their incorporation as the Company and EEIL are not subject to any statutory audit requirements under their jurisdictions of incorporation.

As at the date of this report, no statutory audit financial statements have been prepared for those subsidiaries including DIL, EVEL, AEGL, UCL, SPL, GTILLC, PSI, PSIN, RSI, RGL, WKL, GBH, JPH, ATI, PCL, GBHL and PDG as they were incorporated in jurisdictions where they are not subject to statutory audit requirements.

As at the date of this report, no statutory audited financial statements have been prepared for those subsidiaries including E5, EPLL and EPF Printing, which have not carried on any business since their respective dates of incorporation, as they have not reached respective statutory requirements in accordance with the relevant rules and regulations in Bangladesh, Japan and Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section E below. No adjustments are deemed necessary to the Underlying Financial Statements in preparing of our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of section E to the Financial Information, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Group as at 31 December 2014, 31 December 2015 and 31 December 2016 and of the Company as at 31 December 2016, and of the financial performance and consolidated cash flows of the Group for the Track Record Period.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
Revenue	8	533,908	554,479	595,682
Cost of goods sold		(359,804)	(359,638)	(384,429)
Gross profit		174,104	194,841	211,253
Other income	9	3,154	3,461	2,714
Other gains and losses	10	(1,393)	(8,654)	(4,848)
Change in fair value of investment properties		5,590	1,390	–
Change in fair value of redeemable convertible preferred shares	35	–	–	(39,344)
Distribution and selling expenses		(14,865)	(12,876)	(12,898)
Administrative expenses		(82,228)	(92,420)	(87,383)
Other expenses		(234)	(1,839)	(14,915)
Finance costs	11	(12,364)	(12,528)	(17,562)
Profit before taxation	12	71,764	71,375	37,017
Taxation	14	(1,391)	(2,636)	(4,260)
Profit for the year		70,373	68,739	32,757
Other comprehensive income (expense) for the year:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Surplus on revaluation of land and buildings		10,474	10,271	5,688
Release of deferred tax arising from disposal of land and buildings		–	3,931	–
Deferred tax arising from revaluation of land and buildings		(879)	(814)	(513)
		9,595	13,388	5,175
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Loss on fair value change of available-for-sale investments		(1,011)	(342)	(573)
Reclassification adjustment relating to disposal of available-for-sale investments		(248)	–	1,275
Exchange differences arising from translation of foreign operations		(3,236)	(3,462)	(7,349)
		(4,495)	(3,804)	(6,647)
Other comprehensive income (expense) for the year, net of income tax		5,100	9,584	(1,472)
Total comprehensive income for the year		75,473	78,323	31,285
Profit (loss) for the year attributable to:				
Owners of the Company		70,326	68,706	32,970
Non-controlling interests		47	33	(213)
		70,373	68,739	32,757
Total comprehensive income (expense) attributable to:				
Owners of the Company		75,384	78,324	31,498
Non-controlling interests		89	(1)	(213)
		75,473	78,323	31,285
Earnings per share (HK\$)	16			
– basic		0.21	0.20	0.10
– diluted		N/A	N/A	0.10

(B) STATEMENTS OF FINANCIAL POSITION

	NOTES	THE GROUP			The Company
		At 31 December			At
		2014	2015	2016	31 December 2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	17	249,515	235,325	305,014	–
Prepaid lease payments	18	16,483	20,258	18,809	–
Investment properties	19	67,810	–	–	–
Available-for-sale investments	21	3,301	2,959	–	–
Deposits for acquisition of property, plant and equipment		173	9	–	–
Investment in a subsidiary		–	–	–	171,081
Deposits and prepayments for life insurance policies	22	18,285	18,285	29,986	–
		<u>355,567</u>	<u>276,836</u>	<u>353,809</u>	<u>171,081</u>
Current assets					
Inventories	23	207,938	276,885	317,078	–
Trade and other receivables	24	119,562	141,516	191,199	4,661
Prepaid lease payments	18	377	356	336	–
Amounts due from directors	25	48,457	27,524	24,079	–
Amount due from a subsidiary	25	–	–	–	52,557
Amounts due from fellow subsidiaries	25	–	3,542	824	–
Tax recoverable		94	644	882	–
Pledged bank deposits	26	25,867	25,023	35,912	–
Bank balances and cash	27	59,942	41,474	60,377	54
		<u>462,237</u>	<u>516,964</u>	<u>630,687</u>	<u>57,272</u>
Current liabilities					
Trade and other payables	28	34,560	50,071	54,345	10,091
Amount due to a related company	25	5,900	58,684	46,644	–
Amount due to former ultimate holding company	25	12,284	8,969	8,587	–
Amount due to a former shareholder	25	3,161	602	602	–
Amount due to a preferred shareholder	25	–	–	1,234	1,234
Amount due to a subsidiary	25	–	–	–	13,982
Amount due to an intermediate holding company/immediate holding company	25	–	19,888	11,145	–
Tax payable		2,280	2,411	4,026	–
Secured bank borrowings	29	351,560	318,124	503,656	–
Obligation under finance leases	30	21	495	165	–
Derivative liabilities	31	1,267	3,524	2,985	–
		<u>411,033</u>	<u>462,768</u>	<u>633,389</u>	<u>25,307</u>
Net current assets (liabilities)		<u>51,204</u>	<u>54,196</u>	<u>(2,702)</u>	<u>31,965</u>
		<u>406,771</u>	<u>331,032</u>	<u>351,107</u>	<u>203,046</u>
Capital and reserves					
Share capital	33	3,000	3,000	7,780	7,780
Reserves		397,407	324,431	135,237	(9,990)
Equity attributable to owners of the Company		400,407	327,431	143,017	(2,210)
Non-controlling interests		914	913	100	–
Total equity		<u>401,321</u>	<u>328,344</u>	<u>143,117</u>	<u>(2,210)</u>
Non-current liabilities					
Obligation under finance leases	30	–	173	–	–
Deferred taxation	34	5,450	2,515	2,734	–
Redeemable convertible preferred shares	35	–	–	205,256	205,256
		<u>5,450</u>	<u>2,688</u>	<u>207,990</u>	<u>205,256</u>
		<u>406,771</u>	<u>331,032</u>	<u>351,107</u>	<u>203,046</u>

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Property revaluation reserve	Investment revaluation reserve	Other reserve	Translation reserve	Retained profits	Total	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(note a)			(note b)					
At 1 January 2014	3,000	–	85,181	899	(76)	(733)	256,752	345,023	(1,068)	343,955
Profit for the year	–	–	–	–	–	–	70,326	70,326	47	70,373
Surplus on revaluation of land and buildings	–	–	10,474	–	–	–	–	10,474	–	10,474
Deferred tax arising from revaluation of land and buildings	–	–	(879)	–	–	–	–	(879)	–	(879)
Loss on fair value change of available-for-sale investments	–	–	–	(1,011)	–	–	–	(1,011)	–	(1,011)
Reclassification adjustment relating to disposal of available-for-sale investments	–	–	–	(248)	–	–	–	(248)	–	(248)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(3,278)	–	(3,278)	42	(3,236)
Total comprehensive income (expense) for the year	–	–	9,595	(1,259)	–	(3,278)	70,326	75,384	89	75,473
Disposal of a subsidiary (note 32)	–	–	–	–	–	–	–	–	1,893	1,893
Dividend declared (note 15)	–	–	–	–	–	–	(20,000)	(20,000)	–	(20,000)
At 31 December 2014	3,000	–	94,776	(360)	(76)	(4,011)	307,078	400,407	914	401,321
Profit for the year	–	–	–	–	–	–	68,706	68,706	33	68,739
Surplus on revaluation of land and buildings	–	–	10,271	–	–	–	–	10,271	–	10,271
Deferred tax arising from revaluation of land and buildings	–	–	(814)	–	–	–	–	(814)	–	(814)
Loss on fair value change of available-for-sale investments	–	–	–	(342)	–	–	–	(342)	–	(342)
Release of deferred tax arising from disposal of land and buildings	–	–	3,931	–	–	–	–	3,931	–	3,931
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(3,428)	–	(3,428)	(34)	(3,462)
Total comprehensive (expense) income for the year	–	–	13,388	(342)	–	(3,428)	68,706	78,324	(1)	78,323

	Share capital	Capital reserve	Property revaluation reserve	Investment revaluation reserve	Other reserve	Translation reserve	Retained profits	Total	Non- controlling interests	Total
	HK\$'000	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contribution from an intermediate holding company	-	116,700	-	-	-	-	-	116,700	-	116,700
Release upon disposal of land and buildings	-	-	(48,654)	-	-	-	48,654	-	-	-
Dividend declared (note 15)	-	-	-	-	-	-	(268,000)	(268,000)	-	(268,000)
At 31 December 2015	3,000	116,700	59,510	(702)	(76)	(7,439)	156,438	327,431	913	328,344
Profit (loss) for the year	-	-	-	-	-	-	32,970	32,970	(213)	32,757
Surplus on revaluation of land and buildings	-	-	5,688	-	-	-	-	5,688	-	5,688
Deferred tax arising from revaluation of land and buildings	-	-	(513)	-	-	-	-	(513)	-	(513)
Loss on fair value change of available-for-sale investments	-	-	-	(573)	-	-	-	(573)	-	(573)
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	1,275	-	-	-	1,275	-	1,275
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(7,349)	-	(7,349)	-	(7,349)
Total comprehensive income (expense) for the year	-	-	5,175	702	-	(7,349)	32,970	31,498	(213)	31,285
Release upon disposal of land and buildings	-	-	(373)	-	-	-	373	-	-	-
Arising from the Group Reorganization	4,780	(170,692)	-	-	-	-	-	(165,912)	-	(165,912)
Dividend declared (note 15)	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(913)	(913)
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	313	313
At 31 December 2016	7,780	(53,992)	64,312	-	(76)	(14,788)	139,781	143,017	100	143,117

Notes:

- Capital reserve represents (i) the contribution from an intermediate holding company to Evergreen Factory; and (ii) the difference between the nominal value of the share capital of Evergreen Factory at the date on which it was acquired by EEIL and the deemed consideration settled by issuance of 99,999,999 ordinary shares and 36,908,517 Series A redeemable convertible preferred shares of the Company pursuant to the Group Reorganization.
- Other reserve represented the effect of change in ownership in a subsidiary when there was no change in control.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended 31 December		
		2014	2015	2016
		HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES				
Profit before taxation		71,764	71,375	37,017
Adjustments for:				
Depreciation of property, plant and equipment		13,931	15,627	20,040
Amortization of prepaid lease payments		376	351	340
Change in fair value of investment properties		(5,590)	(1,390)	–
(Gain) loss on disposal of available-for-sale investments		(248)	–	1,275
Change in fair value of derivative liabilities		2,725	4,747	2,755
Dividend income received from listed equity securities		(91)	(75)	(20)
Interest income		(112)	(169)	(99)
Loss (gain) on disposal of property, plant and equipment		169	(42)	(145)
Finance costs		12,364	12,528	17,562
Change in fair value of redeemable convertible preferred shares		–	–	39,344
Gain on disposal of a subsidiary		(2,840)	–	–
Operating cash flows before movements in working capital		92,448	102,952	118,069
Increase in inventories		(19,120)	(68,947)	(40,193)
Increase in trade and other receivables		(40,213)	(21,954)	(47,674)
Increase in trade and other payables		1,115	15,511	2,143
Payment for investment loss from derivative liabilities		(444)	–	–
Cash generated from operations		33,786	27,562	32,345
Profits tax refund (paid)		2,002	(2,873)	(3,177)
NET CASH FROM OPERATING ACTIVITIES		35,788	24,689	29,168
INVESTING ACTIVITIES				
Proceeds on disposal of available-for-sale investments		917	–	2,386
Interest received		112	169	99
Dividend received		91	75	20
Cash inflow from disposal of a subsidiary	32	40	–	–
Purchase of property, plant and equipment		(23,118)	(65,964)	(88,589)
Proceeds from disposal of property, plant and equipment		–	52	1,059
Additions to receivables arising from insurance contracts		(8,865)	–	(11,701)
(Placement) withdrawal of pledged bank deposits		(3,226)	844	(10,889)
Purchase of available-for-sale investments		(1,059)	–	–
Deposit paid for acquisition of property, plant and equipment		(107)	–	–
(Advance to) repayment from fellow subsidiaries		–	(3,542)	2,718
Advance to non-controlling interests of a subsidiary		(13)	–	–
Repayment from a former shareholder		436	–	–
Advance to directors		(32,116)	(119,307)	(35,923)
Repayment from directors		2,426	33,440	39,368
Additions to prepaid lease payments		–	(5,223)	–
NET CASH USED IN INVESTING ACTIVITIES		(64,482)	(159,456)	(101,452)

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES			
New mortgage and short term loans raised	62,920	38,000	218,135
Increase (decrease) in trust receipt loan and discounted bills	48,398	(21,830)	22,425
Repayment of mortgage and short term loans	(27,485)	(49,606)	(55,028)
Interest paid	(12,364)	(12,528)	(16,328)
Dividend paid	(20,000)	–	(50,000)
Repayment to directors	(7,118)	–	–
Advance from a related company	23,632	67,876	5,444
Repayment to a related company	(18,864)	(15,092)	(17,484)
Repayment to an immediate holding company/intermediate holding company	–	(112)	(9,264)
Advance from intermediate holding company	–	–	521
Advance from (repayment to) a former shareholder	3,161	(2,559)	–
Advance from (repayment to) former ultimate holding company	2,396	(3,315)	(382)
Repayment of finance lease	(951)	(21)	(503)
Contribution from an intermediate holding company	–	116,700	–
Contribution from non-controlling shareholders	–	–	313
Payment of deferred listing related expenses	–	–	(4,660)
NET CASH FROM FINANCING ACTIVITIES	<u>53,725</u>	<u>117,513</u>	<u>93,189</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,031	(17,254)	20,905
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	37,454	59,942	41,474
Effect of foreign exchange rate changes	(2,543)	(1,214)	(2,002)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>59,942</u>	<u>41,474</u>	<u>60,377</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Representing bank balances and cash	<u>59,942</u>	<u>41,474</u>	<u>60,377</u>

(E) NOTES TO FINANCIAL INFORMATION**1. GENERAL**

The Company is a private limited company incorporated in the Cayman Islands on 19 May 2016. The registered office of the Company is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company is 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong. The Company's immediate holding company is Evergreen Enterprise Holdings Limited (the "HoldCo"), a company which was incorporated in the BVI. The Company's ultimate holding company is Golden Evergreen Limited ("GEL"), a company incorporated in the BVI. GEL is wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and CLC Family Trust (collectively, the "Trust"), the details of the Trust are set out in the section "Our History and Development" in the Prospectus. The beneficiaries and settlor of the Trust, including Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and their family members, is considered as the controlling shareholder of the Group ("Controlling Shareholder").

The Company is an investment holding company. The principal activities of the Group are the manufacturing and trading of hair products.

The Financial Information is presented in Hong Kong dollars ("HK\$"). The Company's functional currency is United States dollars ("US\$"). The reason for selecting HK\$ as its presentation currency is because the shareholders of the Company are located in Hong Kong.

2. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation of the listing of the Company's shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent the Group Reorganization as described below.

The principal activity of the Group is the manufacturing and trading of hair products. During the Track Record Period, the Group was controlled by the Controlling Shareholder. The Group Reorganization mainly involved inserting new holding entities, including the Company, between Evergreen Products Factory Limited ("Evergreen Factory") and its shareholders and has not resulted in any change of economic substances. Accordingly, the Financial Information has been prepared on the basis as if the current group structure had been in existence throughout the Track Record Period. The Company became the holding company of the companies now comprising the Group on 22 June 2016. Major steps of the Group Reorganization include the following:

- Step 1: On 19 May 2016, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorized share capital of US\$50,000 divided into 5,000,000 shares at par value of US\$0.01 each. On 10 June 2016, the one share allotted to the first subscriber was transferred to HoldCo.
- Step 2: On 30 May 2016, Evergreen Enterprise Investment Limited ("EEIL") was incorporated in the BVI as a BVI business company with an authorized share capital of US\$50,000 divided into 50,000 ordinary shares at par value of US\$1 each. On 30 May 2016, the one ordinary share allotted to the first subscriber was transferred to the Company.
- Step 3: On 22 June 2016, HoldCo approved that (i) the authorized share capital of the Company be increased to US\$5,000,000 divided into 500,000,000 shares of par value of US\$0.01 each; and (ii) the authorised share capital be re-designated so that 400,000,000 shares in the share capital of the Company, including the one issued share, be re-designated to 400,000,000 ordinary shares and 100,000,000 shares in the share capital of the Company be re-designated to 100,000,000 redeemable convertible preferred shares.

On 22 June 2016, Evergreen Group Limited ("EGL") transferred 30,000 ordinary shares of Evergreen Factory, representing 100% of the shareholding in Evergreen Factory, to EEIL. As consideration, 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares of the Company were issued to EGL. On 22 June 2016, the Company became the holding company of the companies now comprising the Group.

- Step 4: Pursuant to a reorganisation deed dated 29 June 2016 entered into between EGL, HoldCo, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and SEAVI Advent Investments Ltd. (the "Investor"), EGL distributed 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares of the Company in specie to HoldCo and the Investor, respectively.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, where this is a shorter period except for those subsidiaries being disposed of during the Track Record Period that the results of which have been accounted for until the effective date of disposal.

The consolidated statements of financial position of the Group as at 31 December 2014 and 31 December 2015 have been prepared to present the assets and liabilities of the companies comprising the Group using carrying value as if the Company had always been the holding company of the Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation and where applicable, the date of disposal of relevant entity.

The Group had net current liabilities of approximately HK\$2,702,000 as at 31 December of 2016 of which approximately HK\$503,656,000 was attributable to bank borrowings due within one year and approximately HK\$11,145,000 was attributable to the amount due to an immediate holding company. Taking into account the financial resources of the Group, including the Group's operating cash inflow and unutilized banking facilities of approximately HK\$60,683,000, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Financial Information has been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has applied the HKFRSs issued by the HKICPA that are effective for the Group's accounting period beginning on 1 January 2016 consistently throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15.	Revenue from contracts with customers and the related Amendments ¹
HKFRS 16.	Leases ²
HK(IFRIC)-Int 22	Foreign currency translations and advance consideration ¹
Amendments to HKFRS 2.	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12.	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40.	Transfer of investment properties ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

All recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in a fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

HKFRS 15 "Revenue from contracts with customers"

In 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not consider that the application of HKFRS 15 will have material financial impact on the Financial Information.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

As set out in note 38, total operating lease commitment of the Group in respect of its office and factory premises as at 31 December 2016 was amounting to approximately HK\$17,925,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities. Other than that, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments and properties that are measured at fair value or revalued amounts at the end of each reporting period, as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries is included in the statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interests in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income, including rentals invoiced in advance, from investment properties let under operating leases is recognized on a straight-line basis over the period of the respective leases.

Processing income is recognized when the relevant services are rendered.

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amounts on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than leasehold land, freehold land and buildings and construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statements of financial position at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognized in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued leasehold land and buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress is stated at cost less any identified impairment loss, as appropriate. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

Depreciation is provided to write off the cost or revalued amounts of items of property, plant and equipment, other than freehold land and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognized in profit or loss.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount

of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors, a subsidiary, fellow subsidiaries, deposits for life insurance policies, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated investment in listed equity securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividend is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, which are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period up to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at amortized cost

Financial liabilities including trade payables, secured bank borrowings, amounts due to a related company, a subsidiary, former ultimate holding company, a former shareholder, an intermediate holding company/immediate holding company and a preferred shareholder are measured at amortized cost, using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Redeemable convertible preferred shares issued by the Company comprise the host debt instrument and the embedded derivatives and are designated as financial liabilities at FVTPL on initial recognition. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, and therefore it does not meet the equity classification. At the end of each reporting period subsequent to initial recognition, the entire redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at FVTPL are charged to profit or loss immediately.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (functional currency). For the purpose of the Financial Information, the results and financial position of each entity are expressed in Hong Kong dollars.

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting the Financial Information, (i) the assets and liabilities of the Group's foreign operations are translated into US\$; and (ii) the assets and liabilities of the Group denominated or translated in US\$ are then translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution plans including state-managed retirement benefits scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as and included in finance costs in the profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation", as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognized in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties with carrying amount of HK\$67,810,000 as at 31 December 2014 are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognized any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

As at 31 December 2014, investment properties are carried at their fair value of HK\$67,810,000. The fair value was based on a valuation on these properties conducted by independent qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Fair value of land and buildings

As at 31 December 2014, 31 December 2015 and 31 December 2016, leasehold land and buildings are carried at their revalued amount of HK\$137,889,000, HK\$71,460,000 and HK\$89,220,000 respectively. The revalued amount of the leasehold land and buildings, other than the offices in Japan as at 31 December 2014 and 2015, was based on valuation on the properties conducted by independent qualified valuers using property valuation techniques. The Group's offices in Japan were revalued by the directors as at 31 December 2014 and 2015. In determining the revalued amount, the directors have based on a method of valuation which involves certain estimates by reference to recent market prices for similar properties. The valuation conducted by independent qualified valuers and the directors involves certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's leasehold land and buildings and corresponding adjustments to the amount reported in other comprehensive income.

Useful lives of property, plant and equipment

Depreciation is provided to write off the cost or revalued amount of property, plant and equipment over their estimated useful lives which are determined by the Group. In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful life of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of depreciation charges would be affected.

Allowances for inventories

The management of the Group reviews the usage of the inventories at the end of reporting period, and makes provision for obsolete items where events or changes in circumstances show that the balances of inventories may not be realized or are no longer suitable for production use. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether provision needed to be made in respect of any obsolete inventories identified. The directors of the Company are satisfied that sufficient provision for obsolete inventories has been made in the Financial Information.

Fair value of redeemable convertible preferred shares

The directors of the Company use their judgment in selecting an appropriate valuation technique to determine the fair value of the redeemable convertible preferred shares which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair value of this financial liability is determined at the end of the reporting period with movements in fair value recognized in profit or loss. In estimating the fair value of the financial liability, the Group uses independent valuation which is based on various inputs and estimates based on discounted cash flow analysis and option pricing method. Valuation techniques are certified by independent professional valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. The model involves estimates on time to expiration, risk free rate, other comparable public companies share price volatility and others. The carrying value of the redeemable convertible preferred shares was approximately HK\$205,256,000 as at 31 December 2016.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts which includes amounts due to a related company, an intermediate holding company/immediate holding company, former ultimate holding company, a former shareholder and a preferred shareholder, secured bank borrowings, obligations under finance leases and redeemable convertible preferred shares disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group			The Company
	At 31 December			At
	2014	2015	2016	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
				<i>HK\$'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	259,666	245,852	295,556	52,611
Available-for-sale investments	<u>3,301</u>	<u>2,959</u>	–	–
Financial liabilities				
Liabilities at amortised cost	379,272	419,459	588,995	15,216
Obligation under finance leases	21	668	165	–
Derivative liabilities	1,267	3,524	2,985	–
Redeemable convertible preferred shares	<u>–</u>	<u>–</u>	<u>205,256</u>	<u>205,256</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, deposits for life insurance policies, available-for-sale investments, trade and other receivables, amounts due from directors, fellow subsidiaries, and a former shareholder, trade payables, secured bank borrowings, amount due to a related company, former ultimate holding company, a former shareholder, an intermediate holding company/immediate holding company and a preferred shareholder, obligation under finance leases, redeemable convertible preferred shares and derivative liabilities. The Company's major financial instruments are amount due from a subsidiary, bank balances and cash, amount due to a subsidiary and a preferred shareholder and redeemable convertible preferred shares. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The Group has sales and purchases that are transacted in foreign currencies, which expose the Group to foreign currency risk. In order to reduce the risks associated with foreign currency fluctuations, the Group has entered into certain foreign currency forward contracts to manage their exposures to changes of foreign exchange rate. However, as these foreign currency forward contracts do not qualify for hedge accounting, they are deemed as financial liabilities held for trading.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Liabilities			Assets		
	At 31 December			At 31 December		
	2014	2015	2016	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Australian dollars	–	–	–	814	696	703
Canadian dollars	–	–	–	1,363	1,131	1,163
Euro dollars	–	–	–	1,548	1,312	1,245
Great British Pound	–	–	–	953	860	699
RMB	–	–	–	8,576	2,873	913
HK\$	<u>242,785</u>	<u>162,573</u>	<u>421,177</u>	<u>76,500</u>	<u>53,851</u>	<u>96,195</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in US\$ against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where US\$ weaken 5% against the relevant currencies. For a 5% strengthening of US\$ against the relevant currencies, there would be an equal and opposite impact on the post-tax profit.

	Post-tax profit or loss		
	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Australian dollars	34	29	30
Canadian dollars	57	47	49
Euro dollars	65	55	52
Great British Pound	40	36	29
RMB	358	120	38

The directors of the Company consider that the Group is exposed to minimal currency risk to HK\$ as HK\$ are pegged with the US\$. Sensitivity on foreign currency risk is therefore not presented. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits which carried fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. From time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure. As at 31 December 2016, the Group has entered into interest rate swap contract with details set out in note 31.

The Group's exposures to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR"), arising from the Group's HK\$ and US\$ borrowings.

Cash flow interest rate risk in relation to variable-rate bank balances is considered insignificant as most of them are short-term in nature. Accordingly, no interest rate sensitivity analysis is prepared.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on interest bearing borrowings had been 50 basis points higher/lower and all of their variables were held constant, the profit for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 would decrease/increase by approximately HK\$1,468,000, HK\$1,328,000 and HK\$2,103,000 respectively.

Other price risk

The Group's available-for-sale investments and derivative liabilities are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to other price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. Other than the available-for-sale investments, the management considers that the other price risk for derivative liabilities are insignificant and therefore no sensitivity analysis is performed.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the prices of the respective instruments had been 5% higher/lower, assuming it is not a significant or prolonged decline in the fair value of that investment below its cost:

- the Group's investment valuation reserve for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 would be credited/debited by approximately HK\$165,000, HK\$148,000 and nil, respectively, as a result of the change in fair value of available-for-sale investments.

The Group's sensitivity analysis to redeemable convertible preferred shares is set out in note 7(c).

Credit risk

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

The credit risk on pledged bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risks are primarily attributable to their trade receivables. In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risks is significantly reduced.

The Group has concentration of credit risk as 22% and 58%, 24% and 66% and 19% and 63% of the total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016 are due from the Group's largest customer and the five largest customers, respectively.

In addition, the Group has concentration of credit risk by geographical location as 66%, 74% and 83% of the total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively are due from customers located in the USA.

The Group and the Company have concentration of credit risk on the amounts due from directors and a subsidiary respectively at the end of the reporting period during the Track Record Period. The Group and the Company closely monitor the repayment from each of the directors as set out in note 25 and the subsidiary of the Company respectively in order to minimize the credit risk.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to settle its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilization of current facilities is optimized; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assesses the balance of capital and debt funding of the Group.

The board of directors continuously manages liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilization of bank borrowings and ensuring compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flows from operations are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

In preparing the Financial Information, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the current liabilities exceed its current assets as at 31 December 2016 and have been taking steps to improve the liquidity of the Group. As set out in note 2, taking into account the financial resources of the Group, including the Group's operating cash inflow, unutilized banking facilities of approximately HK\$60,683,000 as at 31 December 2016, the directors of the Company consider the Group's liquidity risk is minimal.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The Group

	<u>Interest rate</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 – 6 months</u>	<u>6 months to 1 year</u>	<u>1 – 5 years</u>	<u>Total undiscounted cash flows</u>	<u>Carrying amount</u>
	<u>%</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 31 December 2014								
Financial liabilities								
Non-interest bearing								
Trade payables	N/A	–	6,367	–	–	–	6,367	6,367
Amount due to a related company	N/A	5,900	–	–	–	–	5,900	5,900
Amount due to former ultimate holding company	N/A	12,284	–	–	–	–	12,284	12,284
Amount due to a former shareholder	N/A	3,161	–	–	–	–	3,161	3,161
Derivative liabilities	N/A	–	517	156	451	297	1,421	1,267
Interest bearing								
Secured bank borrowings (<i>note</i>)	3.53	351,560	–	–	–	–	351,560	351,560
Obligation under finance leases	4.30	–	21	–	–	–	21	21
		<u>372,905</u>	<u>6,905</u>	<u>156</u>	<u>451</u>	<u>297</u>	<u>380,714</u>	<u>380,560</u>
At 31 December 2015								
Financial liabilities								
Non-interest bearing								
Trade payables	N/A	–	13,192	–	–	–	13,192	13,192
Amount due to a related company	N/A	58,684	–	–	–	–	58,684	58,684
Amount due to former ultimate holding company	N/A	8,969	–	–	–	–	8,969	8,969
Amount due to a former shareholder	N/A	602	–	–	–	–	602	602
Amount due to an intermediate holding company/immediate holding company	N/A	19,888	–	–	–	–	19,888	19,888
Derivative liabilities	N/A	–	1,723	716	563	1,035	4,037	3,524
Interest bearing								
Secured bank borrowings (<i>note</i>)	3.71	318,124	–	–	–	–	318,124	318,124
Obligation under a finance lease	3.42	–	128	128	256	177	689	668
		<u>406,267</u>	<u>15,043</u>	<u>844</u>	<u>819</u>	<u>1,212</u>	<u>424,185</u>	<u>423,651</u>

	<u>Interest rate</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 – 6 months</u>	<u>6 months to 1 year</u>	<u>1 – 5 years</u>	<u>Total undiscounted cash flows</u>	<u>Carrying amount</u>
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2016								
Financial liabilities								
Non-interest bearing								
Trade payables	N/A	–	17,127	–	–	–	17,127	17,127
Amount due to a related company	N/A	46,644	–	–	–	–	46,644	46,644
Amount due to former ultimate holding company	N/A	8,587	–	–	–	–	8,587	8,587
Amount due to a former shareholder	N/A	602	–	–	–	–	602	602
Amount due to a preferred shareholder	N/A	–	–	1,234	–	–	1,234	1,234
Amount due to an intermediate holding company/immediate holding company	N/A	11,145	–	–	–	–	11,145	11,145
Derivative liabilities	N/A	–	1,072	1,072	72	843	3,059	2,985
Interest bearing								
Secured bank borrowings (note)	3.51	503,656	–	–	–	–	503,656	503,656
Obligation under finance leases	3.42	–	128	37	–	–	165	165
Redeemable convertible preferred shares	2.00	–	–	–	–	137,115	137,115	205,256
		<u>570,634</u>	<u>18,327</u>	<u>2,343</u>	<u>72</u>	<u>137,958</u>	<u>729,334</u>	<u>797,401</u>

The Company

	<u>Interest rate</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 – 6 months</u>	<u>6 months to 1 year</u>	<u>1 – 5 years</u>	<u>Total undiscounted cash flows</u>	<u>Carrying amount</u>
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2016								
Financial liabilities								
Non-interest bearing								
Amount due to a preferred shareholder	N/A	–	–	1,234	–	–	1,234	1,234
Amount due to a subsidiary	N/A	13,982	–	–	–	–	13,982	13,982
Interest bearing								
Redeemable convertible preferred shares	2.00	–	–	–	–	137,115	137,115	205,256
		<u>13,982</u>	<u>–</u>	<u>1,234</u>	<u>–</u>	<u>137,115</u>	<u>152,331</u>	<u>220,472</u>

Note:

Bank loans with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 December 2014, 31 December 2015 and 31 December 2016, the aggregate carrying amounts of these bank loans amounted to approximately HK\$351,560,000, HK\$318,124,000 and HK\$503,656,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	<u>Interest rate</u>	<u>Less than 1 year</u>	<u>1 – 2 years</u>	<u>2 – 5 years</u>	<u>Over 5 years</u>	<u>Total undiscounted cash flow</u>	<u>Carrying amount</u>
	%	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
31 December 2014 . . .	3.53	249,649	34,638	56,620	24,006	364,913	351,560
31 December 2015 . . .	3.71	223,136	35,840	52,704	12,550	324,230	318,124
31 December 2016 . . .	3.51	325,683	88,513	84,892	11,967	511,055	503,656

(c) Fair value measurements of financial instruments

Fair value of the Group's financial investments that are measured at fair value on a recurring basis

Financial assets and liabilities	Fair value			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	At 31 December						
	2014	2015	2016				
	HK\$'000	HK\$'000	HK\$'000				
Available-for-sale investments	Assets – 3,301	Assets – 2,959	Assets – –	Level 1	Quoted bid prices in an active market	N/A	N/A
Derivative liability							
– foreign currency forward contracts	Liabilities – 1,267	Liabilities – 3,524	Liabilities – 2,126	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
– interest rate swaps	–	–	Liabilities – 859	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.		
Redeemable convertible preferred shares	–	–	Liabilities – 205,256	Level 3	Discounted cash flow analysis and option pricing method key inputs: Compound annual growth rate (“CAGR”), weighted average cost of capital (“WACC”) to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility	CAGR (10% as at 31 December 2016) Probability of automatic conversion (90% as at 31 December 2016) WACC (14% as at 31 December 2016)	An increase in the CAGR would result in an increase in the fair value, and vice versa. An increase in the probability of automatic conversion would result in an increase in the fair value, and vice versa. An increase in WACC would result in a decrease in the fair value, and vice versa.

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the redeemable convertible preferred shares are set out in note 35.

Fair value measurements and valuation processes

In estimating the fair value of the redeemable convertible preferred shares to determine the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

In determining the fair value of redeemable convertible preferred shares, CAGR of approximately 10%, probability of automatic conversion 90% and a WACC of 14% are used as of 31 December 2016.

If CAGR was 5% higher/lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase/decrease by approximately HK\$1,045,000 as at 31 December 2016.

If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase/decrease approximately HK\$3,019,000 as at 31 December 2016.

If WACC was 1% higher while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would decrease by approximately HK\$25,199,000 as at 31 December 2016.

If WACC was 1% lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase by approximately HK\$21,940,000 as at 31 December 2016.

There were no transfers between Level 1 and Level 3 in the Track Record Period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents amount received and receivable for the sales of hair products and net of discounts and sales related taxes during the Track Record Period.

The chief executive officer of the Company, being the chief operating decision maker ("CODM"), regularly reviews revenue analysis by types of products, including wigs, hair accessories and other, high-end human hair extensions and halloween products when making decisions about allocating resources and assessing performance of the Group. Other than revenue analysis, the CODM reviews the profit for the year of the Group as a whole to make decisions about performance assessment and resources allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared.

No analysis of segment assets and segment liabilities is presented as the Group's CODM does not regularly review such information.

Entity-wide information

An analysis of the Group's revenue is as follows:

(a) Group revenue by products:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wigs, hair accessories and other	392,864	378,552	409,285
High-end human hair extensions	100,722	130,577	141,455
Halloween products	40,322	45,350	44,942
	<u>533,908</u>	<u>554,479</u>	<u>595,682</u>

(b) Revenue from external customers, based on location of delivery to customers is as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
USA	352,226	409,730	454,408
United Kingdom	46,171	48,141	39,156
PRC	48,545	47,077	48,423
Others	86,966	49,531	53,695
	<u>533,908</u>	<u>554,479</u>	<u>595,682</u>

Revenue from the customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Customer A	77,535	89,103 [#]	80,732 [#]
Customer B	N/A*	71,053	77,712
Customer C	N/A*	61,639 [#]	71,303 [#]

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

The owner of customer A is a relative of the owner of customer C.

An analysis of the Group's non-current assets other than financial assets by their physical geographical location is as follows:

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	194,864	61,484	63,758
PRC	55,361	53,708	50,901
Bangladesh	81,091	137,747	189,982
Japan	2,665	2,653	2,131
USA	—	—	17,051
	<u>333,981</u>	<u>255,592</u>	<u>323,823</u>

9. OTHER INCOME

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
The amount represents:			
Bank interest income	112	169	99
Dividend income received from listed equity securities	91	75	20
Processing income	299	379	230
Rental income from investment properties and warehouses . .	2,048	1,197	701
Sundry income	604	1,641	1,664
	<u>3,154</u>	<u>3,461</u>	<u>2,714</u>

10. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of a subsidiary (note 32)	2,840	–	–
Net loss from changes in fair value of derivative liabilities . . .	(2,725)	(4,747)	(2,755)
Gain (loss) on disposal of available-for-sale investments . . .	248	–	(1,275)
(Loss) gain on disposal of property, plant and equipment . . .	(169)	42	145
Net foreign exchange loss	(1,587)	(3,949)	(963)
	<u>(1,393)</u>	<u>(8,654)</u>	<u>(4,848)</u>

11. FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	12,341	12,508	16,309
Interest on finance lease	23	20	19
Interest on redeemable convertible preferred shares	–	–	1,234
	<u>12,364</u>	<u>12,528</u>	<u>17,562</u>

12. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:			
Amortization of prepaid lease payments	376	351	340
Depreciation on property, plant and equipment	13,931	15,627	20,040
Total depreciation and amortization	<u>14,307</u>	<u>15,978</u>	<u>20,380</u>
Directors' emoluments (note 13)			
– fee	–	–	–
– salaries and other benefits	967	1,301	1,881
– housing benefits	1,164	1,172	1,194
– retirement benefit schemes contributions	27	28	40
	2,158	2,501	3,115
Staff's salaries and other benefits	116,595	147,974	181,511
Staff's retirement benefits scheme contributions	5,499	5,713	7,373
Total staff costs	<u>124,252</u>	<u>156,188</u>	<u>191,999</u>
Auditor's remuneration	900	1,008	1,076
Cost of inventories recognized as expense (included in cost of goods sold)	359,804	359,638	384,429
Operating lease payments in respect of rented premises	5,163	5,284	3,760
Listing expenses (included in other expenses)	–	–	13,982
Donation expense	233	1,682	933
and after crediting:			
Gross rental income from investment properties	2,048	897	–
Less: Direct operating expenses for investment properties that generate rental income during the year	(475)	(140)	–
	<u>1,573</u>	<u>757</u>	<u>–</u>

The estimated monetary value of accommodation provided to certain directors of the Company of HK\$1,164,000, HK\$1,172,000, and HK\$1,194,000 is included under directors' housing benefits for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as employee/director of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Chairman and executive director:			
Mr. Chang Yoe Chong, Felix			
– director's fee	–	–	–
– salaries and other benefits	–	–	–
– housing benefits	623	627	597
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	<u>623</u>	<u>627</u>	<u>597</u>
Executive directors:			
Mr. Chan Kwok Keung			
– director's fee	–	–	–
– salaries and other benefits	851	1,065	945
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	15	17	18
	<u>866</u>	<u>1,082</u>	<u>963</u>
Mr. Kwok Yau Lung, Anthony			
– director's fee	–	–	–
– salaries and other benefits	–	–	409
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	–	–	8
	<u>–</u>	<u>–</u>	<u>417</u>
Ms. Jia Ziying			
– director's fee	–	–	–
– salaries and other benefits	63	61	69
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	6	6	7
	<u>69</u>	<u>67</u>	<u>76</u>
Mr. Li Yan Bo			
– director's fee	–	–	–
– salaries and other benefits	53	55	58
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	6	5	7
	<u>59</u>	<u>60</u>	<u>65</u>
Non executive directors:			
Mr. Chang Chih Lung			
– director's fee	–	–	–
– salaries and other benefits	–	–	–
– housing benefits	541	545	597
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	<u>541</u>	<u>545</u>	<u>597</u>

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Mr. Chan Hoi Sing, Harold			
– director's fee	–	–	–
– salaries and other benefits	–	60	200
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	<u>–</u>	<u>60</u>	<u>200</u>
Mr. Chan Lau Yui, Kevin			
– director's fee	–	–	–
– salaries and other benefits	–	60	200
– housing benefits	–	–	–
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	<u>–</u>	<u>60</u>	<u>200</u>
Total	<u>2,158</u>	<u>2,501</u>	<u>3,115</u>

Notes:

- (i) The performance-based bonus is discretionary based on the Group's financial results and directors' performance as decided by the management of the Group.
- (ii) The directors' housing benefits shown above were for their services in connection with the management of the affairs of the Company and the Group.
- (iii) The directors' fee shown above was for directors' services as director of the Company and the Group.
- (iv) Mr. Chang Chih Lung is the Chief Executive Officer from 19 May 2016 to 9 September 2016 of the Company and his emoluments disclosure above includes those for services rendered by him as Chief Executive for that period. He was re-designated as non executive director on 9 September 2016.
- (v) Mr. Chang Yoe Chong, Felix is appointed as executive director of the Company on 19 May 2016, he is then appointed as Chairman of the Company on 9 September 2016 and his emoluments disclosure above includes those for services rendered by him as Chief Executive Officer.
- (vi) Mr. Chan Hoi Sing, Harold, is appointed as executive director of the Company on 19 May 2016 and he is re-designated as non executive director on 9 September 2016.
- (vii) Mr. Chan Kwok Keung, Mr. Kwok Yau Lung, Anthony, Ms. Jia Ziying and Mr. Li Yan Bo, were appointed as executive director of the Company on 9 September 2016.
- (viii) Mr. Chan Lau Yui, Kevin was appointed as non executive director of the Company on 9 September 2016.

The five highest paid individuals included 1 director, 1 director and 1 director of the Company for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individual(s) during the Track Record Period were as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Employees			
– salaries and other benefits	3,286	4,179	2,627
– performance-based bonus	–	–	–
– retirement benefits scheme contributions	52	55	72
	<u>3,338</u>	<u>4,234</u>	<u>2,699</u>

Their emoluments were within the following bands:

	Year ended 31 December		
	2014	2015	2016
	<i>No. of employee</i>	<i>No. of employee</i>	<i>No. of employee</i>
Nil to HK\$1,000,000	3	3	4
HK\$1,000,001 to HK\$1,500,000	1	1	–
	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

14. TAXATION

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The taxation charge comprises:			
Current tax:			
Hong Kong	23	–	–
PRC Enterprise Income Tax ("EIT")	236	244	391
Other jurisdictions	1,398	2,210	2,204
	1,657	2,454	2,595
(Overprovision)/underprovision in prior years mainly for			
PRC EIT	(20)	–	1,959
Deferred tax (<i>note 34</i>):			
Current year	(246)	182	(294)
	<u>1,391</u>	<u>2,636</u>	<u>4,260</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated net assessable profit for the Track Record Period.

The Group is engaged in manufacturing of hair products through several processing factories in the PRC under contract and import processing arrangements which is effective during the Track Record Period.

Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the contract processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax during the Track Record Period.

Meanwhile, the profit derived under the import processing arrangement are treated as 100% taxable under Hong Kong Profits Tax during the Track Record Period. In addition, the processing factories of the Group are subject to PRC EIT at a rate of 25% on the actual profit generated in the PRC.

No Bangladesh income tax was provided in the Financial Information as one of the subsidiaries operating in Bangladesh is exempted from income tax for 10 financial years from the date of commencement of commercial operations (i.e. 10 May 2010) up to 2019 while the remaining entities in Bangladesh have no assessable profits during the Track Record Period.

Taxation arising from other jurisdictions, in Japan and US, calculated at the rates prevailing in the relevant jurisdictions. For Japan, the applicable prevailing tax rate was 27% for the Track Record Period.

Details of the deferred taxation are set out in note 34.

The income tax expenses for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	71,764	71,375	37,017
Tax at the Hong Kong Profits			
Tax rate of 16.5%	11,841	11,777	6,108
Tax effect of expenses not deductible for tax purpose	1,046	1,754	9,870
Tax effect of income not taxable for tax purpose	(989)	(738)	(336)
Tax effect of tax exemptions granted to a subsidiary operated in Bangladesh	(8,228)	(11,091)	(14,041)
Tax effect of tax losses not recognized	124	98	83
Utilisation of tax losses previously not recognized	(71)	–	(929)
Tax effect of deductible temporary differences not recognized	48	176	166
Effect of different tax rate applicable to subsidiaries operating in the other jurisdictions	67	1,245	1,558
(Overprovision)/underprovision in prior years	(20)	–	1,959
Effect of profit under 50:50 arrangement	(2,202)	(1,455)	(831)
Others	(225)	870	653
Taxation charge for the year	1,391	2,636	4,260

15. DIVIDENDS

Prior to Group Reorganization, a subsidiary of the Company declared dividends of HK\$20,000,000, HK\$268,000,000, and HK\$50,000,000 for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively to its then shareholders.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or the Company since its incorporation.

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

16. EARNINGS PER SHARE

The calculation of earnings per share during the Track Record Period are based on the assumption that the Group Reorganization and the capitalization issue as described more fully in Appendix IV to the Prospectus had been effective on 1 January 2014.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Earnings attributable to owners of the Company:			
Earnings for the purpose of calculating basic and diluted earnings per share	70,326	68,706	32,970

	Year ended 31 December		
	2014	2015	2016
	'000	'000	'000
Number of shares:			
Number of ordinary shares for the purpose of calculating basic earnings per share	336,904	336,904	336,904
Effect of dilutive potential ordinary shares:			
Redeemable convertible preferred shares			–
Weighted average number of ordinary shares for the purpose of diluted earnings per share			336,904

No diluted earnings per share is presented for the years ended 31 December 2014 and 2015 as there is no potential ordinary shares in issue during these years.

For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since assuming their conversion would result in an increase in earnings per share, i.e. anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2014

	Leasehold land and buildings	Freehold land and factory buildings	Construction in progress	Machinery and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR VALUATION								
At 1 January 2014.	130,364	95,906	2,161	43,582	3,193	16,820	12,025	304,051
Additions	5,144	36	14,752	1,096	816	1,200	74	23,118
Disposals	–	(124)	–	(519)	–	(585)	(141)	(1,369)
Reclassification	(6,104)	6,104	–	–	–	–	–	–
Revaluation increase arising on revaluation	7,997	–	–	–	–	–	–	7,997
Exchange adjustments	488	(1,558)	28	(341)	(37)	(120)	(138)	(1,678)
At 31 December 2014	<u>137,889</u>	<u>100,364</u>	<u>16,941</u>	<u>43,818</u>	<u>3,972</u>	<u>17,315</u>	<u>11,820</u>	<u>332,119</u>
Comprising								
At cost	–	100,364	16,941	43,818	3,972	17,315	11,820	194,230
At professional valuation	135,317	–	–	–	–	–	–	135,317
At director valuation	2,572	–	–	–	–	–	–	2,572
At 31 December 2014	<u>137,889</u>	<u>100,364</u>	<u>16,941</u>	<u>43,818</u>	<u>3,972</u>	<u>17,315</u>	<u>11,820</u>	<u>332,119</u>
DEPRECIATION								
At 1 January 2014.	–	17,211	–	33,106	1,657	10,773	10,011	72,758
Provided for the year	2,483	5,523	–	2,434	306	2,583	602	13,931
Disposals	–	(66)	–	(519)	–	(473)	(142)	(1,200)
Eliminated on revaluation	(2,477)	–	–	–	–	–	–	(2,477)
Exchange adjustments	(6)	156	–	(328)	(26)	(106)	(98)	(408)
At 31 December 2014	<u>–</u>	<u>22,824</u>	<u>–</u>	<u>34,693</u>	<u>1,937</u>	<u>12,777</u>	<u>10,373</u>	<u>82,604</u>
Representing								
Cost	–	77,540	16,941	9,125	2,035	4,538	1,447	111,626
Valuation	137,889	–	–	–	–	–	–	137,889
	<u>137,889</u>	<u>77,540</u>	<u>16,941</u>	<u>9,125</u>	<u>2,035</u>	<u>4,538</u>	<u>1,447</u>	<u>249,515</u>

Year ended 31 December 2015

	Leasehold land and buildings	Freehold land and factory buildings	Construction in progress	Machinery and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR VALUATION								
At 1 January 2015	137,889	100,364	16,941	43,818	3,972	17,315	11,820	332,119
Additions	–	5,414	53,225	4,581	480	3,045	51	66,796
Disposals	(72,000)	–	–	(1,186)	(5)	(1,242)	–	(74,433)
Revaluation increase arising on revaluation	7,911	–	–	–	–	–	–	7,911
Exchange adjustments	(2,340)	(2,054)	32	(758)	(55)	(264)	(297)	(5,736)
At 31 December 2015	<u>71,460</u>	<u>103,724</u>	<u>70,198</u>	<u>46,455</u>	<u>4,392</u>	<u>18,854</u>	<u>11,574</u>	<u>326,657</u>
Comprising								
At cost	–	103,724	70,198	46,455	4,392	18,854	11,574	255,197
At professional valuation	68,888	–	–	–	–	–	–	68,888
At director valuation	2,572	–	–	–	–	–	–	2,572
At 31 December 2015	<u>71,460</u>	<u>103,724</u>	<u>70,198</u>	<u>46,455</u>	<u>4,392</u>	<u>18,854</u>	<u>11,574</u>	<u>326,657</u>
DEPRECIATION								
At 1 January 2015	–	22,824	–	34,693	1,937	12,777	10,373	82,604
Provided for the year	2,391	6,627	–	3,063	407	2,712	427	15,627
Disposals	–	–	–	(1,186)	(5)	(1,232)	–	(2,423)
Eliminated on revaluation	(2,360)	–	–	–	–	–	–	(2,360)
Exchange adjustments	(31)	(808)	–	(748)	(52)	(238)	(239)	(2,116)
At 31 December 2015	<u>–</u>	<u>28,643</u>	<u>–</u>	<u>35,822</u>	<u>2,287</u>	<u>14,019</u>	<u>10,561</u>	<u>91,332</u>
Representing								
Cost	–	75,081	70,198	10,633	2,105	4,835	1,013	163,865
Valuation	71,460	–	–	–	–	–	–	71,460
	<u>71,460</u>	<u>75,081</u>	<u>70,198</u>	<u>10,633</u>	<u>2,105</u>	<u>4,835</u>	<u>1,013</u>	<u>235,325</u>

Year ended 31 December 2016

	Leasehold land and buildings	Freehold land and factory buildings	Construction in progress	Machinery and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST OR VALUATION								
At 1 January 2016	71,460	103,724	70,198	46,455	4,392	18,854	11,574	326,657
Additions	15,610	17,188	42,233	10,224	351	1,434	1,558	88,598
Disposals	(628)	-	-	(692)	-	(3,987)	(37)	(5,344)
Transfers to freehold land and factory buildings	-	27,010	(27,010)	-	-	-	-	-
Revaluation increase arising on revaluation	3,395	-	-	-	-	-	-	3,395
Exchange adjustments	(617)	(2,833)	(996)	(862)	(74)	(300)	(269)	(5,951)
At 31 December 2016	<u>89,220</u>	<u>145,089</u>	<u>84,425</u>	<u>55,125</u>	<u>4,669</u>	<u>16,001</u>	<u>12,826</u>	<u>407,355</u>
Comprising								
At cost	-	145,089	84,425	55,125	4,669	16,001	12,826	318,135
At professional valuation	<u>89,220</u>	-	-	-	-	-	-	<u>89,220</u>
	<u>89,220</u>	<u>145,089</u>	<u>84,425</u>	<u>55,125</u>	<u>4,669</u>	<u>16,001</u>	<u>12,826</u>	<u>407,355</u>
DEPRECIATION								
At 1 January 2016	-	28,643	-	35,822	2,287	14,019	10,561	91,332
Provided for the year	2,293	9,523	-	5,186	435	2,210	393	20,040
Disposals	-	-	-	(692)	-	(3,701)	(37)	(4,430)
Eliminated on revaluation	(2,293)	-	-	-	-	-	-	(2,293)
Exchange adjustments	-	(1,047)	-	(713)	(56)	(255)	(237)	(2,308)
At 31 December 2016	<u>-</u>	<u>37,119</u>	<u>-</u>	<u>39,603</u>	<u>2,666</u>	<u>12,273</u>	<u>10,680</u>	<u>102,341</u>
Representing								
Cost	-	107,970	84,425	15,522	2,003	3,728	2,146	215,794
Valuation	<u>89,220</u>	-	-	-	-	-	-	<u>89,220</u>
	<u>89,220</u>	<u>107,970</u>	<u>84,425</u>	<u>15,522</u>	<u>2,003</u>	<u>3,728</u>	<u>2,146</u>	<u>305,014</u>

The above items of property, plant and equipment other than freehold land and construction in progress are depreciated on a straight-line basis at the following rates per annum:

Factory buildings, leasehold land and buildings	4% or over the respective lease term, whenever is shorter
Freehold land	Nil
Machinery and equipment, furniture and fixtures, and leasehold improvements	20%
Motor vehicles	25%

Fair value measurement of the Group's land and buildings

In estimating the fair value of the Group's land and buildings by applying the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The leasehold land and buildings of the Group, in Hong Kong and the PRC, as at 31 December 2014, 31 December 2015 and 31 December 2016 and the buildings of the Group in the United States and Japan as at 31 December 2016 were revalued by Greater China Appraisal Limited ("Greater China") of which the registered office is at Room 2703, 27/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, an independent qualified professional valuers. Greater China, which is not connected with the Group, is a member of Hong Kong Institute of Surveyors ("HKIS"). The valuations, which conform to the Royal Institute of Chartered Surveyors ("RICS") Valuation Standards (6th Edition) published by the RICS and the HKIS Valuation Standard on Properties (1st Edition 2005) published by the HKIS, were arrived at using the direct comparison approach. The valuation has been adopted by the directors in the Financial Information and the property revaluation increase of approximately HK\$10,474,000, HK\$10,271,000, and HK\$5,688,000 have been credited to the property revaluation reserve for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

The buildings of the Group in Japan as at 31 December 2014 and 31 December 2015 were revalued by the directors of the Company on an open market value basis by reference to recent market prices for similar properties. The directors' revaluation have not given rise any revaluation increase or decrease for buildings in Japan as at 31 December 2014 and 2015. The fair value measurement of such buildings is using significant unobservable input (Level 3). The significant unobservable inputs is market unit rate, mainly taken into account the time, location, quality, floor level and size between the comparables. An increase in the market unit rate used would result in an increase in the fair value of the leasehold land and building.

The fair value measurements of the Group's leasehold land and buildings as at 31 December 2014, 31 December 2015 and 31 December 2016 using significant unobservable input (Level 3) are disclosed as below.

As at 31 December 2014

<u>Description</u>	<u>Fair value</u>	<u>Valuation techniques and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Sensitivity</u>
	<i>HK\$'000</i>			
Leasehold land and industrial buildings in Hong Kong	50,078	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is at an average rate of HK\$2,270 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Leasehold land and residential buildings in Hong Kong	68,900	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK\$15,300 to HK\$20,900 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in Hong Kong.	3,050	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from HK\$440,000 to HK\$1,190,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Residential buildings in the PRC	9,508	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB3,500 to RMB33,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.

Description	Fair value <i>HK\$'000</i>	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Offices in the PRC	3,344	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB11,000 to RMB61,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC . . .	437	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB75,000 to RMB200,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Offices in Japan	2,572	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK\$10,000 to HK\$12,400 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	<u>137,889</u>			

As at 31 December 2015

Description	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	<i>HK\$'000</i>			
Leasehold land and industrial buildings in Hong Kong	55,998	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is at an average rate of HK\$2,540 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in Hong Kong.	600	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is HK\$600,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Residential buildings in the PRC	8,915	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB3,700 to RMB51,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the PRC	2,975	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB11,000 to RMB63,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC	400	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB78,000 to RMB200,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Offices in Japan	2,572	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK\$9,700 to HK\$12,800 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	<u>71,460</u>			

As at 31 December 2016

Description	Fair value <i>HK\$'000</i>	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Leasehold land and industrial buildings in Hong Kong	60,100	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK\$2,720 to HK\$3,000 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in Hong Kong.	700	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is at a rate of HK\$700,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Residential buildings in the PRC	7,725	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB3,900 to RMB58,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the PRC	2,733	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB11,000 to RMB61,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC	311	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB82,000 to RMB190,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Offices in Japan	1,935	Direct comparison method	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from YEN107,000 to YEN182,000 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.

Description	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	<i>HK\$'000</i>			
Offices in the United States	15,716	Direct comparison method	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from US\$212 to US\$428.	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	<u>89,220</u>			

There were no transfers into or out of Level 3 during the Track Record Period.

If the leasehold land and buildings of the Group had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation and their carrying amounts would have been approximately HK\$45,000,000, HK\$36,881,000 and HK\$35,052,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

18. PREPAID LEASE PAYMENTS

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's prepaid lease payments comprise:			
Leasehold land in the PRC:			
Non-current asset	16,483	20,258	18,809
Current asset	<u>377</u>	<u>356</u>	<u>336</u>
	<u>16,860</u>	<u>20,614</u>	<u>19,145</u>

19. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2014	62,220
Increase in fair value	<u>5,590</u>
At 31 December 2014	67,810
Increase in fair value	1,390
Disposal	<u>(69,200)</u>
At 31 December 2015	<u>—</u>

In estimating the fair value of the Group's investment properties by applying the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair value of the Group's investment properties at 31 December 2014 and at the date of disposal has been arrived at on the basis of a valuation carried out on these dates by Greater China. The valuations, which were arrived at using the direct comparison approach, have been adopted by the directors in the Financial Information and the increase in fair value of HK\$5,590,000 and HK\$1,390,000 have been credited to the profit or loss for each of the year ended 31 December 2014 and 31 December 2015, respectively.

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Fair value measurements using significant unobservable inputs (Level 3):

At 31 December 2014				
Description	Fair value	Valuation technique	Significant unobservable inputs	Sensitivity
	HK\$'000			
Leasehold land and industrial buildings in Hong Kong	50,080	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK\$2,260 to HK\$2,500 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Leasehold land and residential buildings in Hong Kong	10,400	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is at an average rate of HK\$23,200 per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in Hong Kong.	7,330	Direct comparison method	Market slot rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from HK\$540,000 to HK\$1,320,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.

20. INTEREST IN AN ASSOCIATE

	At 31 December 2014
	HK\$'000
Unlisted shares, at cost	156
Less: Impairment loss recognized	(156)
	-

Details of the Group's associate, which is a company with limited liability, are as follows:

Name of company	Place of incorporation	Class of shares held	Proportion of nominal value of issued share capital held by the Group			At the date of the report	Principal activities
			At 31 December				
			2014	2015	2016		
Adland Limited*	Hong Kong	Ordinary	50%	-	-	-	Trading of hair products and provision of hair care services

* The associate was deregistered on 11 September 2015.

21. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities			
Shares listed in Hong Kong, at fair value	3,301	2,959	–

Fair value changes on available-for-sale investments amounting to approximately HK\$1,011,000, HK\$342,000 and HK\$573,000 were debited to investment revaluation reserve for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively. For the years ended 31 December 2014 and 31 December 2016, a gain of disposal of approximately HK\$248,000 and a loss of disposal of HK\$1,275,000 are recognized in other gains and losses respectively.

22. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

During the Track Record Period, Evergreen Factory entered into certain life insurance policies with Mr. Chang Yoe Chong, Felix, a director of the Company. Under the policies, Evergreen Factory, being the beneficiary and policy holder, is required to pay an upfront payment for the policies. Evergreen Factory may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment was separated into deposits placed and prepayments of life insurance premium according to the terms set out in the policy. The management considered that it is immaterial to amortize the prepayment of life insurance premium to profit or loss over the insured period and the deposits placed using the effective interest method. The deposits and prepayments for life insurance policies was recognized at cost accordingly. The deposits placed for the life insurance policy carries guaranteed interests at interest rates ranging from 1.8% to 5.20% per annum plus a premium determined by the insurance company during the tenures of the policy.

Particulars of the policies are as follows:

Insured sum	Upfront payment	Interest rates
<i>HK\$'000</i>	<i>HK\$'000</i>	
4,000 to 35,100	281 to 7,761	1.80% to 5.20% per annum

23. INVENTORIES

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	150,072	203,986	217,386
Work in progress	33,720	33,272	47,614
Finished goods	24,146	39,627	52,078
	<u>207,938</u>	<u>276,885</u>	<u>317,078</u>

24. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	93,953	111,299	121,633
Other receivables	3,083	2,386	6,745
Purchase rebate receivables	10,079	16,319	16,000
Other tax receivables	4,926	791	625
Prepayments	284	7,131	9,471
Deferred listing related expenses	–	–	4,660
Deposits paid to suppliers	7,237	3,590	32,065
	<u>119,562</u>	<u>141,516</u>	<u>191,199</u>

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	66,137	90,338	81,083
61 – 90 days	13,792	16,444	23,558
91 – 120 days	8,926	2,755	13,485
Over 120 days	5,098	1,762	3,507
	<u>93,953</u>	<u>111,299</u>	<u>121,633</u>

The Group allows a credit period up to 90 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 78%, 88% and 83% of the trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

As at 31 December 2014, 31 December 2015 and 31 December 2016, trade receivables of approximately HK\$20,494,000, HK\$13,127,000 and HK\$20,351,000 respectively are past due but not impaired. Such receivables relate to a number of customers of which substantial subsequent settlements were made. The ageing analysis of these trade receivables is as follows:

Ageing of trade receivables which are past due but not impaired

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	15,094	11,330	16,662
61 – 90 days	3,520	301	530
91 – 120 days	978	338	2,349
Over 120 days	902	1,158	810
	<u>20,494</u>	<u>13,127</u>	<u>20,351</u>

The Group has not provided impairment loss for all trade receivables because the status of subsequent settlement of the trade receivables is satisfactory.

Most of the Group's trade receivables are denominated in functional currency of the relevant group entities.

25. AMOUNTS DUE FROM (TO) DIRECTORS/AN INTERMEDIATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A FORMER SHAREHOLDER/FELLOW SUBSIDIARIES/A RELATED COMPANY/FORMER ULTIMATE HOLDING COMPANY/A PREFERRED SHAREHOLDER/A SUBSIDIARY

At the end of each reporting period, the amounts other than the amount due to a preferred shareholder are unsecured, interest-free and repayable on demand. Amount due to a related company represents the amount due to Eastern Earnings (China) Company Limited in which Mr. Chang Chih Lung, Mr. Chang Yoe Chong, Felix and Mr. Chan Kwok Keung are the directors and shareholders.

Details of amounts due from directors are as follows:

	At	At 31 December		
	1 January	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chang Chih Lung	18,767	16,341	11,525	3,879
Mr. Chang Yoe Chong, Felix	–	32,116	15,999	20,200
	<u>18,767</u>	<u>48,457</u>	<u>27,524</u>	<u>24,079</u>

Maximum amount outstanding during the year:

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chang Chih Lung	18,767	16,341	11,525
Mr. Chang Yoe Chong, Felix	32,116	151,423	51,922

As at 31 December 2016, the amount due to a preferred shareholder is unsecured, interest-free and repayable within twelve months after the end of the reporting period.

All the balances are non-trade nature as at 31 December 2014, 2015 and 2016.

26. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged for banking facilities granted to the Group and are therefore classified as current assets.

Included in pledged bank deposits are the following amounts denominated in currency other than functional currencies of the relevant group entities:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	9,889	15,307	28,126

The deposits carry fixed interest rate ranging from 0.001% to 2.5%, 0.001% to 0.42% and 0.001% to 0.42% per annum as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

27. BANK BALANCES AND CASH

Included in bank balances and cash are the following amounts denominated in currency other than functional currency of the relevant group entities:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	31,033	13,214	12,755

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry interests at prevailing market rates of 0% to 1%, 0% to 1% and 0% to 1% per annum as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

28. TRADE AND OTHER PAYABLES

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,367	13,192	17,127
Accrued staff costs	7,961	19,313	21,729
Accruals and other payables	20,232	17,566	15,489
	34,560	50,071	54,345

The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	6,367	13,192	17,127

Included in the Group's trade payables are the following amounts denominated in currency other than the functional currencies of the relevant group entities:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	6,029	7,638	4,222

29. SECURED BANK BORROWINGS

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipts loans and discounted bills	186,194	164,364	186,789
Mortgage and short term loans	165,366	153,760	316,867
	<u>351,560</u>	<u>318,124</u>	<u>503,656</u>

The carrying amounts of the borrowings are analysed as follows:

Denominated in	31 December			Interest rate
	2014	2015	2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
HK\$	139,794	134,339	352,712	Hong Kong Dollar Prime Rate minus 2.5% to Hong Kong Dollar Prime Rate plus 1% or HIBOR plus 2.75%
US\$	211,766	183,785	150,944	LIBOR plus 3%

Bank borrowings with repayment on demand clause are classified as current liabilities on the consolidated statement of financial position.

The Group's bank borrowings are payable as follows:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings are repayable (<i>Note</i>)			
Within 1 year	247,662	221,338	321,378
After 1 year but within 2 years	31,236	34,407	88,306
After 2 years but within 5 years	49,266	50,338	82,662
After 5 years	23,396	12,041	11,310
Total bank borrowings	<u>351,560</u>	<u>318,124</u>	<u>503,656</u>
Comprising:			
Amounts due within one year shown under current liabilities and containing a repayment on demand clause	247,662	221,338	321,378
Amounts that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause (shown under current liabilities)	103,898	96,786	182,278
Total	<u>351,560</u>	<u>318,124</u>	<u>503,656</u>

Note: The amounts due are based on the scheduled repayment dates set out in the bank borrowings.

The bank borrowings are arranged at floating rates and the average effective interest rates of the borrowings are ranging from 1.44% to 5.75%, 1.39% to 5.75% and 1.39% to 5.25% per annum as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$25,867,000, HK\$25,023,000 and HK\$35,912,000 respectively;
- (b) safe custody of title deeds for the Group's buildings and prepaid lease payments in the PRC of approximately HK\$4,193,000 and HK\$2,001,000, HK\$3,693,000 and HK\$1,701,000, HK\$3,568,000 and HK\$1,607,000 respectively;
- (c) unlimited guarantees provided by directors and fellow subsidiaries of the Company;
- (d) a subordination agreement that the amounts due to directors advanced by them to the Company would be subordinated to the advance from a bank;
- (e) negative pledge on the assets of subsidiaries in the PRC and Bangladesh;
- (f) insurance contracts entered for a director of the Company; and
- (g) the Group's investment properties with carrying values of HK\$67,810,000 and land and buildings with carrying values of HK\$122,030,000 as at 31 December 2014 in Hong Kong.

As at 31 December 2015 and 31 December 2016, the Group's banking facilities were also secured by the land and buildings in Hong Kong held by subsidiaries of Ventures Day Investments Limited ("Ventures Day", the Company's fellow subsidiary which is under the control of the same controlling shareholder of the Company). All the lending banks have agreed in principle that all guarantees or securities provided by the directors of the Company and the charges on the land and buildings of subsidiaries of Ventures Day will be fully released and the subordination agreement will be terminated subject to the Listing of the Company and replacement by corporate guarantee from the Company.

30. OBLIGATION UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases. The lease term is 2.7 years, 2.0 years and 2.0 years as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively. Interest rate underlying the obligation under the finance lease is fixed at the average contract rates at 4.30%, 3.42% and 3.42% per annum as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively. The leases have no term of renewal or purchase options nor escalation clauses. No arrangement has been entered into for contingent rental payments.

	Minimum lease payment			Present value of minimum lease payment		
	31 December			31 December		
	2014	2015	2016	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases:						
Within one year	21	512	165	21	495	165
After 1 year but within 2 years	–	177	–	–	173	–
	21	689	165	21	668	165
Less: Future finance charges	–	(21)	–	–	–	–
Present value of lease obligations	21	668	165	21	668	165
Less: Amount due within one year shown under current liabilities				(21)	(495)	(165)
Amount due after one year				–	173	–

The Group's obligation under a finance lease is secured by the lessor's title to the leased asset.

31. DERIVATIVE LIABILITIES

	At 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Derivative liabilities			
Foreign currency forward contracts	1,267	3,524	2,126
Interest rate swap contract	–	–	859
	1,267	3,524	2,985

Foreign currency forward contracts:

<u>Notional amount at each maturity date</u>	<u>Maturity</u>	<u>Forward exchange rates</u>
Buy US\$500,000 or US\$1,000,000	From January 2014 to December 2015 with monthly settlement on notional amount with capped gain of HK\$250,000	Buying US\$500,000 if market rate above or equal to HK\$7.735 to US\$1 or buying US\$1,000,000 if market rate below HK\$7.735 to US\$1
Buy US\$500,000	From April 2014 to March 2016 with monthly settlement on notional amount with capped gain of RMB250,000	From April 2014 to March 2015, buying US\$500,000 if market rate above RMB6.17 to US\$1 or below RMB6.10 to US\$1 From April 2015 to March 2016, buying US\$500,000 if market rate above RMB6.14 to US\$1 or below RMB6.07 to US\$1
Buy US\$500,000	From February 2014 to January 2016 with monthly settlement on notional amount	From February 2014 to January 2015, buying US\$500,000 if market rate above RMB6.169 to US\$1 or below RMB6.119 to US\$1 From February 2015 to January 2016, buying US\$500,000 if market rate above RMB6.12 to US\$1 or below RMB6.07 to US\$1
Buy US\$500,000	From July 2014 to June 2016 with monthly settlement on notional amount	From July 2014 to June 2016, buying US\$500,000 if market rate above RMB6.38 to US\$1 or below RMB6.28 to US\$1
Buy US\$12,000,000	From July 2015 to June 2017 with monthly settlement on notional amount	From July 2015 to June 2017, buying US\$12,000,000 if market rate above RMB6.35 to US\$1 or below RMB6.21 to US\$1
Buy US\$1,500,000	From January 2016 to December 2017 with monthly settlement on notional amount	From January 2016 to December 2017, receive HK\$18,000 as subsidy if market rate at or above HK\$7.735 to US\$1, or buying US\$1,500,000 if market rate below HK\$7.735 to US\$1

Interest rate swap contract:

<u>Notional amount at each maturity date</u>	<u>Maturity</u>	<u>Interest rate</u>
HK\$15,000,000	From July 2016 to July 2021	Fixed rate at 3.28% to be swapped with floating HIBOR

32. DISPOSAL OF A SUBSIDIARY

On 23 January 2014, the Group disposed of the 60% equity interest in Allied Glory Asia Limited ("Allied Glory") and its subsidiary, which is principally engaged in trading of garments products, to the non-controlling shareholder of Allied Glory at nil consideration.

The net liabilities of Allied Glory being disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Amount due from a shareholder	1,933
Other receivables	132
Bank overdraft	(40)
Other payables	(245)
Amount due to group entity (<i>note</i>)	(6,513)
Net liabilities disposed of	(4,733)
Non-controlling interests	1,893
Gain on disposal	2,840
Total consideration	—
Cash inflow from disposal of a subsidiary:	
Bank overdraft disposed of	40

Note: At the date of disposal, the amount due from Allied Glory was assigned to a director of the Company, Mr. Chang Yoe Chong, Felix. Such amount has applied to set off the amount due to a director at HK\$6,513,000.

33. SHARE CAPITAL

The issued share capital of the Group as at 1 January 2014, 31 December 2014 and 2015 represented the share capital of Evergreen Factory.

The Company was incorporated in the Cayman Islands on 19 May 2016. Upon incorporation, the initial authorized share capital of the Company was US\$50,000 divided into 5,000,000 ordinary shares with a par value of US\$0.01 each. One share of the Company was allotted and issued to International Corporation Services Ltd. and such share was subsequently transferred to the HoldCo on 10 June 2016. On 22 June 2016, the authorized share capital of the Company was increased from US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each to US\$5,000,000 divided into 500,000,000 shares with a par value of US\$0.01 each, out of which 400,000,000 shares (including the one issued share) were re-designated to 400,000,000 ordinary shares with a par value of US\$0.01 each and 100,000,000 shares were re-designated to 100,000,000 redeemable convertible preferred shares with a par value of US\$0.01 each. On the same date, the Company issued 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares to EGL as consideration for the acquisition of Evergreen Factory (see details in note 2 of section E), resulting these series A redeemable convertible preferred shares being accounted for as liability, details of which are set out in note 35.

34. DEFERRED TAXATION

	Revaluation of land and buildings	Accelerated depreciation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2014	5,251	(434)	4,817
Charge to equity	879	—	879
Credit to profit or loss	—	(246)	(246)
At 31 December 2014	6,130	(680)	5,450
Charge to equity	814	—	814
Charge to profit or loss	—	182	182
Release upon disposal of land and buildings	(3,931)	—	(3,931)
At 31 December 2015	3,013	(498)	2,515
Charge to equity	513	—	513
Credit to profit or loss	—	(294)	(294)
At 31 December 2016	3,526	(792)	2,734

The Group has unused tax losses of approximately HK\$8,801,000, HK\$28,955,000 and HK\$23,828,000 as at 31 December 2014, 31 December 2015 and 31 December 2016 respectively available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

35. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	<u>Number of shares</u>	<u>Nominal value</u> <i>US\$'000</i>
Redeemable convertible preferred shares of US\$0.01 each:		
Authorised:		
Balance at 22 June 2016 and 31 December 2016.	100,000,000	1,000
Issued and fully paid		
Balance at 22 June 2016 and 31 December 2016.	36,908,517	15,000

As set out in note 2, 36,908,517 series A redeemable convertible preferred shares (the "Preferred Shares") was issued to EGL on 22 June 2016 as part of the consideration for acquisition of Evergreen Factory by EEIL.

In preparation for the listing of the ordinary shares of the Company on the Stock Exchange, EGL, the Company, Mr. Chang Chin Lung, Mr. Chang Yoe Chong Felix, the Holdco and the Investor entered into a reorganization deed (the "Reorganization Deed") dated 29 June 2016, pursuant to which the Parties (means collectively the signatories to Share Subscription Agreement) thereto will effect certain transactions so that the Holdco and the Investor will hold 100,000,000 ordinary shares and 36,908,517 Preferred Shares, respectively, of the Company.

The significant terms of the Preferred Shares are as follows:

Redemption

In the event whether it is reasonably foreseeable that there will be no qualified initial public offering and listing of the Company's shares on the Stock Exchange before 27 March 2018, the Company shall deliver a written notice to the Investor setting forth the same at least 90 days before 27 March 2018. Subject to applicable law and the Company's Memorandum and Articles of Association, the Investor shall have the right to require the Company to redeem, out of the funds legally available, all equal to (i) the Purchase Price plus (ii) an amount which would enable the Investor to achieve a return calculated on the basis of an internal rate of return of 15% on the Purchase Price.

Valuation adjustment

- (a) If the 2014 audited consolidated net profit of Evergreen Factory and its subsidiaries (the "Net Profit") is less than HKD61,000,000, the Company undertakes to issue additional Preferred Shares (the "2014 Top Up Shares") to the Investor which is equal to the result as calculated in accordance with the following formula:

$$\text{Number of additional Preferred Shares to be issued to the Investor} = \text{Number of Purchased Shares} * ((\text{HKD}62,000,000 - 2014 \text{ Net Profit})/\text{HKD}62,000,000)$$

- (b) If the 2015 Net Profit is less than HKD71,600,000, EGL/the Company, in its sole discretion, undertakes to:

- (i) issue additional Preferred Shares (the "2015 Top Up Shares") to the Investor which is equal to the result as calculated in accordance with the following formula:

$$\text{Number of additional Preferred Shares to be issued to the Investor} = (\text{Number of Purchased Shares} + 2014 \text{ Top Up Shares}) * ((\text{HKD}71,600,000 - 2015 \text{ Net Profit})/\text{HKD}71,600,000)$$

OR

- (ii) pay the Investor by cash in an amount which is equal to the result as calculated in accordance with the following formula:

$$\text{Amount of cash to be paid to the Investor} = (7 * \text{HKD}71,600,000) * (\text{Purchase Price}/(7 * \text{Net Profit of 2014})) * ((\text{HKD}71,600,000 - 2015 \text{ Net Profit})/\text{HKD}71,600,000)$$

- (c) If the 2016 Net Profit is less than HKD96,600,000, the Company, in its sole discretion, undertakes to:
- (i) issue additional Preferred Shares (the "2016 Top Up Shares") to the Investor which is equal to the result as calculated in accordance with the following formula:

$$\text{Number of additional Preferred Shares to be issued to the Investor} = (\text{Number of Purchased Shares} + 2014 \text{ Top Up Shares} + 2015 \text{ Top Up Shares}) * ((\text{HKD}96,600,000 - 2016 \text{ Net Profit})/\text{HKD}96,600,000)$$

OR

- (ii) pay the Investor by cash in an amount which is equal to the result as calculated in accordance with the following formula:

$$\text{Amount of cash to be paid to the Investor} = (7 * \text{HKD}96,600,000) * (\text{Purchase Price}/(7 * \text{Net Profit of 2014})) * ((\text{HKD}96,600,000 - 2016 \text{ Net Profit})/\text{HKD}96,600,000)$$

- (d) If the 2017 Net Profit is less than HKD130,400,000, the Company, in its sole discretion, shall:

- (i) issue additional Preferred Shares (the "2017 Top Up Shares") to the Investor which is equal to the result as calculated in accordance with the following formula:

$$\text{Number of additional Preferred Shares to be issued to the Investor} = (\text{Number of Purchased Shares} + 2014 \text{ Top Up Shares} + 2015 \text{ Top Up Shares} + 2016 \text{ Top Up Shares}) * ((\text{HKD}130,400,000 - 2017 \text{ Net Profit})/\text{HKD}130,400,000)$$

OR

- (ii) pay the Investor by cash in an amount which is equal to the result as calculated in accordance with the following formula:

$$\text{Amount of cash to be paid to the Investor} = (7 * \text{HKD}130,400,000) * (\text{Purchase Price}/(7 * \text{Net Profit of 2014})) * ((\text{HKD}130,400,000 - 2017 \text{ Net Profit})/\text{HKD}130,400,000)$$

Conversion

The Preferred Shares shall be convertible, at the option of the Investor thereof, at any time after the date of issuance of such share, into such number of ordinary shares based on initial conversion ratio, which shall be equal to 1:1 of the ordinary share of the Company, which is subject to customary adjustment events. Each Preferred Share shall be automatically converted into ordinary shares immediately prior to the initial public offering and listing of the ordinary shares on the Stock Exchange.

Voting rights

The Investor shall have the right to one vote for each ordinary share into which such Preferred Shares could then be converted, and with respect to such vote, the Investor shall have full voting rights and powers equal to the voting rights and powers of the holders of ordinary shares.

Dividends

The Investor is entitled to a return of 2% per annum on the Purchase Price ("Preferred Return") for each of the years ended 31 December 2015, 2016 and 2017 ("Financial Year"). If the distributable profit for such Financial Year is less than Preferred Return, all the distributable profit for such Financial Year shall be paid to the Investor. Prior to any distribution of dividends on the ordinary shares in the following Financial Year, the Company shall make up any outstanding shortfall on the Preferred Return of each previous Financial Year until such shortfall has been paid.

The Preferred Shares are designated as financial liabilities at FVTPL.

The Preferred Shares were valued at fair value by the Group with reference to an independent valuation provided by Greater China, an independent professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar financial instruments. Its address is Room 2703, 27/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The fair value of the Preferred Shares was determined by discounted cash flow analysis and option pricing method. The present value of the estimated future cash flow is discounted at the WACC of 15% and 14% at 22 June 2016 and 31 December 2016 respectively.

The assumptions and key parameters adopted for the valuation of the Preferred Shares are as follows:

	22 June 2016 Option-pricing method	31 December 2016 Option-pricing method
<u>Methodology</u>		
Estimated probability of the Preferred Shares		
– for redemption	15%	10%
– for conversion	85%	90%
Discount rate		
– for redemption	13.4%	12.6%
Time to expiration (number of years)	1.7	1.25
Preferred shares dividend yield	2%	2%
Compound annual growth rate	50%	10%
Expected volatility	57.5% – 58.6%	38.5% – 43.6%

The other major assumptions adopted for the option-pricing method valuation of the Preferred Shares are as follows:

- (a) The estimation of risk free rate is based on the yield to maturity of the Hong Kong Government Bond matured at time close to the IPO timing as of valuation date.
- (b) Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

The movements of the Preferred Shares during the year ended 31 December 2016 are set out below:

	Amount
	<i>HK\$'000</i>
At issue date of 22 June 2016	165,912
Change in fair value of redeemable convertible preferred shares	39,344
At 31 December 2016	<u>205,256</u>

36. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the Track Record Period are as follows:

- (i) During the year ended 31 December 2015, the Group entered into finance lease arrangement in respect of acquisition of motor vehicle with a total capital value at the inception of the lease of approximately HK\$668,000.
- (ii) During the year ended 31 December 2014, the Group disposed a subsidiary, Allied Glory, to a non-controlling interest shareholder of Allied Glory at nil consideration as disclosed in note 32. In addition, at the date of disposal, the amount due from Allied Glory was assigned to a director of the Company, Mr. Chang Yoe Chong, Felix. Such amount has applied to set off the amount due to a director at HK\$6,513,000.
- (iii) During the year ended 31 December 2015, the Group disposed certain property, plant and equipment and investment properties to the Group's fellow subsidiaries at a consideration of HK\$72,000,000 and HK\$69,200,000, respectively, which are equivalent to the carrying amount. Such amount was applied to set off the amounts due to former ultimate holding company and a former shareholder.
- (iv) During the year ended 31 December 2015, the Group's dividend in an amount of HK\$106,800,000 was applied to set off the amounts due from directors.
- (v) During the years ended 31 December 2015 and 2016, the Group's deposits for acquisition of property, plant and equipment in an amount of HK\$164,000 and HK\$9,000 respectively were applied to set off the addition of property, plant and equipment.

37. RETIREMENT BENEFITS SCHEME**Defined contribution scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The employees of the Group's factories in PRC are members of a state-managed retirement benefit plan operated by the government of PRC. The Group are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Provident fund in Bangladesh is not mandatory but the Group is required to create such a fund once half of the employees demand so. The employees of the Group's factories in Bangladesh are covered by a company self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh. Relevant subsidiaries are required to contribute a minimum specified percentage of payroll costs to the provident fund to fund the benefits. Those subsidiaries are obliged to set up the trustee board for managing the contribution to the provident fund with participation from both of the company management team and the employees.

38. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	5,675	4,202	3,224
In the second to fifth year inclusive	6,779	4,452	4,531
Over five years	11,828	11,615	10,170
	<u>24,282</u>	<u>20,269</u>	<u>17,925</u>

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for terms ranging from 2 years to 34 years at fixed monthly rentals.

Property rental income earned from investment properties was approximately HK\$897,000, HK\$897,000 and nil for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively. All of the investment properties held have committed tenants for the next one to five years at fixed monthly rentals.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,509	–	–
In the second to fifth year inclusive	2,162	–	–
	<u>4,671</u>	<u>–</u>	<u>–</u>

39. CAPITAL COMMITMENT

	At 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided in the statements of financial position in respect of property, plant and equipment	<u>250</u>	<u>173</u>	<u>508</u>

40. RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Track Record Period:

(a)

		THE GROUP		
		Year ended 31 December		
	<i>Note</i>	2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	(i)	696	834	337
Computer products and service expenses	(i)	653	1,137	1,112

Note:

- (i) During the Track Record Period, the Group entered into transactions with Eastern Earnings (China) Company Limited and Hopcom Software Company Limited of which Mr. Chang Chih Lung and Mr. Chang Yoe Chong, Felix are also the directors and shareholders of these companies.
- (b) The Group's banking facilities are secured by certain assets of the fellow subsidiaries of the Company and guarantees were provided by directors and fellow subsidiaries of the Company as disclosed in note 29.
- (c) During the year ended 31 December 2015, the Group disposed certain property, plant and equipment and investment properties to the Group's fellow subsidiaries at a consideration of HK\$72,000,000 and HK\$69,200,000, respectively, which are equivalent to the carrying amount.
- (d) Compensation of key management personnel

The remuneration of directors and other members during the Track Record Period were as follows:

		THE GROUP		
		Year ended 31 December		
		2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee				
Salaries and other benefits		4,636	6,139	3,981
Retirement benefits schemes contribution		84	108	98
		<u>4,720</u>	<u>6,247</u>	<u>4,079</u>

The remuneration of directors and other members is determined having regard to the performance of individuals and market trends.

41. RESERVE OF THE COMPANY

	<u>Accumulated loss</u>
	<i>HK\$'000</i>
At 19 May 2016	–
Loss and total comprehensive expense for the year	9,990
At 31 December 2016	<u>9,990</u>

(F) SUBSEQUENT EVENT

The following event took place subsequent to 31 December 2016:

On 19 June 2017, the Company has approved the issuance of 324,341,483 shares by capitalising an amount of US\$3,243,414.83 standing to the credit of the share premium account of the Company subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the global offering under the capitalisation issue on or around the listing date, details of which are set out in Appendix IV to the Prospectus.

(G) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for each of the three years ended 31 December 2016 from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the 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 "Accountants' Report" set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as at 31 December 2016 as if the Global Offering had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets below has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed on 31 December 2016 or at any future dates.

The unaudited pro forma statement of adjusted consolidated net tangible assets below is prepared based on the audited consolidated net tangible assets of the Group as at 31 December 2016 as extracted from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Offer				
Price of HK\$1.65 per Share	<u>143,017</u>	<u>220,263</u>	<u>363,280</u>	<u>0.74</u>
Based on the Offer				
Price of HK\$1.90 per Share	<u>143,017</u>	<u>256,425</u>	<u>399,442</u>	<u>0.81</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 31 December 2016 is based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$143,017,000 as extracted from the Accountants' Report set out in Appendix I.
- (2) The estimated net proceeds from the Global Offering are based on 153,750,000 Shares to be issued at the Offer Price of lower limit and upper limit of HK\$1.65 per Share and HK\$1.90 per Share, respectively, after deduction of the underwriting commissions and other related fees expected to be incurred by the Group subsequent to 31 December 2016 and do not take into account any Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share has been arrived on the basis of a total of 490,653,803 Shares in issue immediately following completion of the Global Offering and Capitalization Issue, which does not reflect the number of shares resulting from the conversion of the Preferred Shares. It does not take into account any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.
- (4) The Preferred Shares will be converted into such number of fully paid ordinary shares of the Company prior to listing on the Stock Exchange. The above unaudited pro forma financial information has not been adjusted for the carrying amount of the Preferred Shares and the number of shares that will be issued resulting from the conversion.

Had the conversion of the Preferred Shares into ordinary shares of the Company been assumed to take place as at 31 December 2016, the consolidated net tangible assets of the Group attributable to owners of the Company would have been increased by HK\$205,256,000, which represents the fair value and the carrying amount of the Preferred Shares as of 31 December 2016. Assuming the conversion of the Preferred Shares and taking into account the estimated net proceeds from the Global Offering as assumed in note 2 above, based on the minimum and maximum Offer Price of HK\$1.65 and HK\$1.90 per Share, respectively, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would be HK\$568,536,000 and HK\$604,698,000, respectively, and the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would be HK\$0.92 per Share and HK\$0.98 per Share, respectively. The computation of such unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived on the basis of a total of 615,000,000 Shares in issue immediately following completion of Global Offering and Capitalization Issue, and include 36,908,517 Shares resulting from the conversion of Preferred Shares.

- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group does not take into account any trading results or other transactions subsequent to 31 December 2016.

(B) REPORTING ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an assurance report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Evergreen Products Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Evergreen Products Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2016 and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 29 June 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2016 as if the Global Offering had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial information for each of the three years ended 31 December 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 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 (the "HKICPA").

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION – CONTINUED****Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION – CONTINUED****Reporting Accountants' Responsibilities – continued**

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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 June 2017

This Appendix contains a summary of the Memorandum and Articles of Association of the Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 May 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Third Amended and Restated Memorandum of Association ("**Memorandum**") and its Third Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise.
- (b) Subject to the Articles, by special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted by resolutions of our Shareholder with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person

of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member who may be affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the above matters either alone or in conjunction with any such other company. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Except as otherwise provided by the Articles, the Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practicably do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of members**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in the annual general meeting or by the Board if authority is so delegated by the members, and the remuneration of auditors appointed to fill a casual vacancy may be fixed by the Board.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment on the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or other distributions in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company or otherwise until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect during business hours any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Subject to the Cayman Companies Law, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which, with the like sanction, there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 19 May 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for a proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2014 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 30 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of 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 (2014 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or

(ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 19 May 2016. Our registered office is at PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. We have established a principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 June 2016. Mr. Chang Chih Lung of Flat B, 17/F, Wing Hong Mansion, 62 MacDonnell Road, Mid-Levels, Hong Kong and Mr. Chang Yoe Chong Felix of Flat A, 15/F, Wing Hong Mansion, 62 MacDonnell Road, Mid-Levels, Hong Kong have been appointed as the authorised representatives 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, our Company is subject to the relevant laws of the Cayman Islands and its Memorandum and Articles of Association. A summary of the relevant laws of the Cayman Islands and our Company's Memorandum and Articles of Association is set out in Appendix III to this prospectus.

2. Change in Share Capital of our Company

As at the date of our incorporation, our Company had an authorised share capital of US\$50,000 divided into 5,000,000 shares of par value of US\$0.01 each. The following sets out the changes in our Company's share capital since the date of its incorporation:

- (a) On 19 May 2016, one share of par value US\$0.01 was allotted and issued to International Corporation Services Ltd. and such share was subsequently transferred to Evergreen Holdings at a consideration of US\$0.01 on 10 June 2016.
- (b) On 22 June 2016, the authorised share capital of our Company was increased from US\$50,000 divided into 5,000,000 shares of par value US\$0.01 each to US\$5,000,000 divided into 500,000,000 shares of par value of US\$0.01 each, out of which 400,000,000 shares (including the one issued Shares) were re-designated to 400,000,000 Shares of par value of US\$0.01 each and 100,000,000 shares were re-designated to 100,000,000 Preferred Shares of par value of US\$0.01 each.
- (c) On 22 June 2016, our Company issued 99,999,999 Shares and 36,908,517 Preferred Shares to Evergreen Group as consideration for the acquisition of Evergreen Factory by our wholly owned subsidiary, Evergreen Investment.
- (d) On 30 June 2016, Evergreen Group distributed 99,999,999 Shares and 36,908,517 Preferred Shares to Evergreen Holdings and SEAVI Advent, being its shareholders at the relevant time, as a special dividend, respectively.
- (e) On 19 June 2017, the authorised share capital of our Company was increased from US\$5,000,000 divided into 400,000,000 Shares of par value of US\$0.01 each and 100,000,000 Preferred Shares of par value of US\$0.01 each, to US\$10,000,000 divided into 900,000,000 Shares of par value of US\$0.01 each and 100,000,000 Preferred Shares of par value of US\$0.01 each, by the creation of an additional 500,000,000 Shares of par value of US\$0.01 each.

All Preferred Shares will be converted into Shares, on a one-to-one basis, prior to the completion of the Global Offering. Upon full conversion of Preferred Shares, (i) the 100,000,000 authorised but unissued Preferred Shares will be cancelled and the share capital of our Company will be diminished accordingly, and (ii) our authorised share capital be increased from US\$9,000,000 divided into 900,000,000 Shares to US\$10,000,000 divided into 1,000,000,000 Shares, by the creation of an additional 100,000,000 Shares. Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be US\$10,000,000 divided into 1,000,000,000 Shares and the issued share capital of our Company will be US\$6,150,000 divided into 615,000,000 Shares, all fully paid or credited as fully paid, and 385,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in “– A. Further Information about Our Group – 3. Resolutions in Writing of Our Shareholders” in this Appendix and any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any part of the authorised but unissued Shares and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this section, there has been no alteration in our Company’s share capital since the date of our incorporation up to the date of this prospectus.

3. Resolutions in Writing of Our Shareholders

Pursuant to the written resolutions passed by our Shareholders on 19 June 2017, the following resolutions, among other resolutions, were duly passed:

- (a) the authorised share capital of our Company be increased from US\$5,000,000 divided into 400,000,000 Shares of par value of US\$0.01 each and 100,000,000 Preferred Shares of par value of US\$0.01 each, to US\$10,000,000 divided into 900,000,000 Shares of par value of US\$0.01 each and 100,000,000 Preferred Shares of par value of US\$0.01 each, by the creation of an additional 500,000,000 Shares of par value of US\$0.01 each;
- (b) conditional upon both (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), (ii) the Offer Price being fixed 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 be approved, the Directors be authorised to allot and issue the new Shares pursuant to the Global Offering to rank *pari passu* with the then existing Shares in all respects, to approve the transfer of the 30,750,000 Sale Shares and any further Shares to be sold upon exercise of the Over-allotment Option by the Selling Shareholder;
 - (ii) the rules of the Share Option Scheme (a summary of its principal terms is set out in “– D. Share Option Scheme” in this Appendix) be approved and adopted, and our Directors be authorised, at their absolute discretion subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares pursuant thereto, and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) immediately before completion of the Global Offering, the 36,908,517 Preferred Shares, being all the Preferred Shares in issue, be converted, on a one-to-one basis, into 36,908,517 Shares and the register of members of our Company be updated accordingly;
 - (iv) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors be authorised to capitalise an amount of US\$3,243,414.83 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par a total of 324,341,483 Shares for allotment and issue to the person(s) whose names as appear on the register of members of our Company at the close of business on 18 June 2017 in proportion to its/their then existing shareholdings in our Company as nearly as possible without fractions (of which 236,903,803 Shares will be allotted and issued to Evergreen Holdings, and 87,437,680 Shares will be allotted and issued to SEAVI Advent), each ranking *pari passu* in all respects with the Shares then in issue and credited as fully paid, and our Directors be authorised to give effect to such capitalisation and distributions; and
 - (v) the proposed Listing of the Shares on the Main Board of the Stock Exchange be approved and our Directors be authorised to implement such Listing;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or other similar arrangements or under the Global Offering or any scrip dividend schemes in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted (whether or not such securities or options involve the allotment or issue of Shares during or after the Relevant Period (as defined below)) with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect during the Relevant Period which might require the exercise of such powers either during or after the end of the Relevant Period. “**Relevant Period**” means the period from the date of passing the resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

- (d) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase Shares listed on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect during the Relevant Period;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares 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 aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (f) the Memorandum and the Articles be approved and adopted with effect from the Listing Date.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, see “Our History and Development”.

5. Changes in Share Capital of Our Subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report in Appendix I. Save as disclosed in “Our History and Development” and below, there has been no alteration in the share capital (or registered capital, as the case may be) of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus:

Asia Treasure

On 6 July 2016, Asia Treasure was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 1 August 2016, Asia Treasure allotted and issued one share to Evergreen Factory at par.

Dong Jin

On 1 January 2016, the beneficial interest in 391,000 shares in Dong Jin, representing 20% of its issued share capital, was transferred to Speedy Pride for a total consideration of HK\$896,701, and Dong Jin became our indirectly and wholly-owned subsidiary.

EPF Agro

On 28 July 2016, EPF Agro was incorporated in Bangladesh as a limited liability company with an authorised share capital of BDT1 million divided into 10,000 shares of BDT100 each. On the date

of its incorporation, EPF Agro allotted 1 share and 999 shares to Mr. Chan Kwok Keung (our executive Director) and Wooden Kite (our indirectly wholly-owned subsidiary) at par, respectively. Mr. Chan Kwok Keung is a trustee holding one share in EPF Agro for and on behalf of Wooden Kite.

EPF Carton

On 12 July 2016, EPF Carton was incorporated in Bangladesh as a limited liability company with an authorised share capital of BDT1 million divided into 10,000 shares of BDT100 each. On the date of its incorporation, EPF Carton allotted 1 share and 999 shares to Mr. Chan Kwok Keung (our executive Director) and Jade Pride (our indirectly wholly-owned subsidiary) at par, respectively. Mr. Chan Kwok Keung is a trustee holding one share in EPF Carton for and on behalf of Jade Pride.

EPF Printing

On 12 July 2016, EPF Printing was incorporated in Bangladesh as a limited liability company with an authorised share capital of BDT1 million divided into 10,000 shares of BDT100 each. On the date of its incorporation, EPF Printing allotted 1 share and 999 shares to Mr. Chan Kwok Keung (our executive Director) and Glassy Brick (our indirectly wholly-owned subsidiary) at par, respectively. Mr. Chan Kwok Keung is a trustee holding one share in EPF Printing for and on behalf of Glassy Brick.

Evergreen Printing

On 3 January 2017, Evergreen Printing was incorporated in Hong Kong with limited liability, 51% and 49% of which were owned by Evergreen Factory and Eastern Alpha Limited, respectively.

E5 Company

On 22 November 2016, E5 Company was incorporated in Japan with limited liability. Upon incorporation, 51% and 49% of its equity interest were owned by Asia Treasure and Aplan TGS, which are required to contribute JPY4.59 million and JPY4.41 million to E5 Company, respectively.

Glassy Brick

On 23 November 2015, Glassy Brick was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 15 January 2016, Glassy Brick allotted one share to Evergreen Factory at par. On 5 November 2016, Glassy Brick issued 50 shares and 49 shares to Evergreen Factory and Eastern Alpha Limited at par, respectively. On 3 January 2017, Evergreen Factory and Eastern Alpha Limited transferred all their shares in Glassy Brick to Evergreen Printing at the consideration of US\$1 per share. After such transfer, Evergreen Printing became the sole shareholder of Glassy Brick.

Golden Blossom

On 6 October 2016, Golden Blossom was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 1 November 2016, Golden Blossom allotted one share to Evergreen Factory at par.

Golden Times

On 25 September 2015, Golden Times was administratively dissolved.

Jade Pride

On 14 December 2015, Jade Pride was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 15 January 2016, Jade Pride allotted one share to Evergreen Factory at par.

Pleasant Cape

On 9 December 2015, Pleasant Cape was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 30 March 2016, Pleasant Cape allotted 10,000 shares to Evergreen Factory at par.

Prime Day

On 1 April 2016, Prime Day was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 22 April 2016, Prime Day allotted one share to Evergreen Factory at par.

Red Stone

On 11 May 2016, Red Stone was incorporated in the State of Washington, the United States, as a limited liability company. On 11 May 2016, Red Stone allotted 5,000 shares to Prime Day for a total consideration of US\$5,000.

Rose Glade

On 16 December 2015, Rose Glade was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 15 January 2016, Rose Glade allotted one share to Evergreen Factory at par.

Sunleaf

On 21 December 2015, Sunleaf was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. Sunleaf issued and allotted one share to Evergreen Factory at par on 15 January 2016. On 27 April 2016, Sunleaf issued and allotted 499, 2,000 and 7,500 shares to Evergreen Factory, Prince Orchid Limited and Eastern Earnings (China) Company Limited at par, respectively. On 21 June 2016, Evergreen Factory transferred 500 shares of Sunleaf to Eastern Earnings (China) Company Limited for a total consideration of US\$500.

Timely Global

On 10 May 2016, Timely Global was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 8 June 2016, Timely Global allotted one share to Evergreen Factory at par. On 9 June 2016, Evergreen Factory transferred one share of Timely Global to Eastern Earnings (China) Company Limited for a consideration of US\$1.

Wooden Kite

On 9 December 2015, Wooden Kite was incorporated in BVI as a limited liability company. Such company is authorised to issue a maximum number of 50,000 shares of a single class each with a par value of US\$1. On 15 January 2016, Wooden Kite allotted one share to Evergreen Factory.

6. Corporate Information of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report set out in Appendix I.

7. Repurchase of our Own Securities*(a) Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important 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 of the Shareholders passed on 19 June 2017, a general unconditional mandate (that is the Repurchase Mandate) was given to the Directors authorising the Directors to exercise all powers of our Company to repurchase Shares listed on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. For further details, see “– A. Further Information about Our Group – 3. Resolutions in Writing of our Shareholders” in this Appendix.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules 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 as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of proceeds from a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Core Connected Persons

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares 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 earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and its members.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our 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 Repurchase Mandate, on the basis of 615,000,000 Shares in issue immediately after the listing of the Shares (but without taking into account any Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme), could accordingly result in up to 61,500,000 Shares being repurchased by our Company during the Relevant Period.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, 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 Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

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

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' 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 Repurchase Mandate is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the 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 Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER 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) the bought and sold notes dated 1 January 2016 and entered into between Choi Kyong Ho and Speedy Pride in respect of transfer of 391,000 shares of Dong Jin from Choi Kyong Ho to Speedy Pride for the consideration of HK\$896,701;
- (b) the instrument of transfer dated 9 June 2016 and entered into between Evergreen Factory and Eastern Earnings (China) Company Limited (東源(中國)有限公司) in respect of transfer of one ordinary share of Timely Global from Evergreen Factory to Eastern Earnings (China) Company Limited (東源(中國)有限公司) for the consideration of US\$1;
- (c) the bought and sold notes dated 9 June 2016 and entered into between Evergreen Factory and Eastern Earnings (China) Company Limited (東源(中國)有限公司) in respect of transfer of one share of Timely Global from Evergreen Factory to Eastern Earnings (China) Company Limited (東源(中國)有限公司) for the consideration of US\$1;
- (d) the instrument of transfer dated 21 June 2016 and entered into between Evergreen Factory and Eastern Earnings (China) Company Limited (東源(中國)有限公司) in respect of transfer of 500 ordinary shares of Sunleaf from Evergreen Factory to Eastern Earnings (China) Company Limited (東源(中國)有限公司) for a total consideration of US\$500;
- (e) the bought and sold notes dated 21 June 2016 and entered into between Evergreen Factory and Eastern Earnings (China) Company Limited (東源(中國)有限公司) in respect of transfer of 500 shares of Sunleaf from Evergreen Factory to Eastern Earnings (China) Company Limited (東源(中國)有限公司) for a total consideration of US\$500;
- (f) the instrument of transfer dated 22 June 2016 and entered into between Evergreen Investment and Evergreen Group in respect of the transfer of 30,000 ordinary shares of Evergreen Factory from Evergreen Group to Evergreen Investment for the consideration of 99,999,999 Shares and 36,908,517 Preferred Shares;
- (g) the bought and sold notes dated 22 June 2016 and entered into between Evergreen Investment and Evergreen Group in respect of the transfer of 30,000 ordinary shares of Evergreen Factory from Evergreen Group to Evergreen Investment for the consideration of 99,999,999 Shares and 36,908,517 Preferred Shares;
- (h) the Reorganisation Deed;
- (i) the Shareholders Agreement;
- (j) the instrument of transfer dated 30 June 2016 and entered into between Evergreen Group and Evergreen Holdings in respect of the transfer of 99,999,999 Shares from Evergreen Group to Evergreen Holdings at nil consideration;



- (k) the instrument of transfer dated 30 June 2016 and entered into between Evergreen Group and SEAVI Advent in respect of the transfer of 36,908,517 Preferred Shares from Evergreen Group to SEAVI Advent at nil consideration;
- (l) the cornerstone investment agreement dated 25 May 2017 and entered into among our Company, Beauty Star Global Limited (“**Beauty Star**”), Kyong Ho Choi and the Sole Sponsor, pursuant to which Beauty Star agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of Shares) which may be purchased with US\$3.0 million at the Offer Price;
- (m) the cornerstone investment agreement dated 19 June 2017 and entered into among our Company, Kaneka Corporation and the Sole Sponsor, pursuant to which Kaneka Corporation agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of Shares) which may be purchased with HK\$35.0 million at the Offer Price;
- (n) the cornerstone investment agreement dated 23 June 2017 and entered into among our Company, Cheng Lap Yin, the Sole Sponsor and Fortune (HK) Securities Limited, pursuant to which Cheng Lap Yin agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of Shares) which may be purchased with US\$3.0 million at the Offer Price;
- (o) the Deed of Non-Competition;
- (p) the Deed of Indemnity; and
- (q) the Hong Kong Underwriting Agreement.

2. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

(a) Trademarks

(i) Trademarks registered by our Group in Hong Kong

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong which we consider to be material to our business:

<u>No</u>	<u>Trademark</u>	<u>Trade mark number</u>	<u>Owner</u>	<u>Class</u>	<u>Registration date</u>	<u>Expiry date</u>
1		301701260	Evergreen Factory, EPF International and EPF Global	26	30/08/2010	29/08/2020
2	wigs2DOLLS.com <small>by wisdom</small>	301847863	Wisdom Ocean	26	03/03/2011	02/03/2021
3		303055428	Wisdom Ocean	26	03/07/2014	02/07/2024

(ii) Trademarks registered by us in the PRC

As at the Latest Practicable Date, we have registered the following trademarks in the PRC which we consider to be material to our business:

No	Trademark	Registration number	Owner	Class	Registration date	Expiry date
1		1584855	Kunming Evergreen	26	14/06/2001	13/06/2021
2		3001888	Kunming Evergreen	26	21/01/2003	20/01/2023
3		3013417	Kunming Evergreen	26	28/03/2003	27/03/2023
4		3013416	Kunming Evergreen	26	28/03/2003	27/03/2023
5		1584854	Kunming Evergreen	26	14/06/2011	13/06/2021
6		1588884	Kunming Evergreen	26	21/06/2011	20/06/2021


(iii) Trademarks registered by us in the rest of the world

As at the Latest Practicable Date, we have registered the following trademarks in the rest of the world which we consider to be material to our business:

No	Trademark	Place of registration	Registration number	Owner	Class	Registration date	Expiry date
1	エクステバンズ EXT Bands	Japan	5118579	I-Corporation	26	14/03/2008	14/03/2018
2	FlagWigs	United States	4730555	Wisdom Ocean	26	05/05/2015	05/05/2025
3	PartybobWigs	United States	5153006	Wisdom Ocean	26	28/02/2017	28/02/2027
4	WigYouUp.com	United States	5185048	Wisdom Ocean	26	18/04/2017	18/04/2027

(iv) Trademark applied for by us

As at the Latest Practicable Date, we have applied for the following trademark which we consider to be material to our business:

<u>No</u>	<u>Trademark</u>	<u>Place of registration</u>	<u>Application number</u>	<u>Applicant</u>	<u>Class</u>	<u>Application date</u>
1	 訓修 Evergreen	Hong Kong	303823128	Company	26, 28	29/06/2016

(b) Domain names

As at the Latest Practicable Date, our principal registered domain names used by us in our business operations include the following:

<u>No</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry date</u>
1	epfhk.com	Evergreen Factory	4 August 2000	4 August 2026
2	qddcn.com	Kunming Evergreen	10 February 2009	10 February 2018
3	wigs2dolls.com	Wisdom Ocean	12 March 2009	12 March 2019
4	lesalonwigs.com	Speedy Pride	24 March 2011	24 March 2021
5	wigyouup.com	Speedy Pride	17 April 2013	17 April 2018
6	flagwigs.com	Wisdom Ocean	25 October 2013	25 October 2018
7	flagwigs.co.uk	Purple Star	21 May 2014	21 May 2018

Save as disclosed herein, there are no other patents, trademarks or other intellectual or industrial property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and our associated corporations*

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), so far as the Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our 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 Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Long position in our Shares*

<u>Name of Director/chief executive</u>	<u>Capacity/ nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Chang Chih Lung ⁽¹⁾	Beneficiary of a trust/Founder of a discretionary trust	336,903,803	54.8%
Mr. Chang Yoe Chong Felix ⁽¹⁾	Beneficiary of a trust/Founder of a discretionary trust	336,903,803	54.8%

Note:

- (1) Immediately following the completion of the Capitalisation Issue and the Global Offering, Evergreen Holdings, a direct wholly owned subsidiary of Golden Evergreen, will hold 336,903,803 Shares. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issue being the beneficiaries. The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. Accordingly, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the said 336,903,803 Shares under the SFO.

(ii) Long position in the shares of our associated corporations

<u>Name of Director/ chief executive</u>	<u>Name of our associated corporations</u>	<u>Capacity/ nature of interest</u>	<u>Approximate percentage of shareholding</u>
Mr. Chang Chih Lung ⁽³⁾	Evergreen Holdings ⁽¹⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Golden Evergreen ⁽¹⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	CLC Investment ⁽¹⁾	Founder of a discretionary trust	100%
Mr. Chang Chih Lung ⁽³⁾	CLC Management ⁽¹⁾	Founder of a discretionary trust	100%
Mr. Chang Chih Lung ⁽³⁾	Evergreen Group ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	73.0%
Mr. Chang Chih Lung ⁽³⁾	Ventures Day ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Acemaster Ventures ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Cowden Ventures ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Fast Track ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Golden Image ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%

<u>Name of Director/ chief executive</u>	<u>Name of our associated corporations</u>	<u>Capacity/ nature of interest</u>	<u>Approximate percentage of shareholding</u>
Mr. Chang Chih Lung ⁽³⁾	Market Focus ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Punchline Ventures ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Chih Lung ⁽³⁾	Smart Plus ⁽²⁾	Founder of a discretionary trust/ Beneficiary of a trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	Evergreen Holdings ⁽¹⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	Golden Evergreen ⁽¹⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	CLC Investment ⁽¹⁾	Beneficiary of a trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	CLC Management ⁽¹⁾	Beneficiary of a trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	Evergreen Group ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	73.0%
Mr. Chang Yoe Chong Felix ⁽³⁾	Ventures Day ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	Acemaster Ventures ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾	Cowden Ventures ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%

<u>Name of Director/ chief executive</u>	<u>Name of our associated corporations</u>	<u>Capacity/ nature of interest</u>	<u>Approximate percentage of shareholding</u>
Mr. Chang Yoe Chong Felix ⁽³⁾ . .	Fast Track ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾ . .	Golden Image ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾ . .	Market Focus ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾ . .	Punchline Ventures ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%
Mr. Chang Yoe Chong Felix ⁽³⁾ . .	Smart Plus ⁽²⁾	Beneficiary of a trust/ Founder of a discretionary trust	100%

Notes:

- (1) Immediately following the completion of the Capitalisation Issue and the Global Offering, Evergreen Holdings, a direct wholly owned subsidiary of Golden Evergreen, will hold more than 50% of the issued share capital of our Company. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Accordingly, each of Evergreen Holdings, Golden Evergreen, CLC Investment and CLC Management is a holding company and an associated corporation of our Company.
- (2) Approximately 73.0% of the issued share capital of Evergreen Group is owned by Evergreen Holdings. Evergreen Group holds the entire issued share capital of Ventures Day. Ventures Day holds the entire issued share capital of each of Acemaster Ventures, Cowden Ventures, Fast Track, Golden Image, Market Focus, Punchline Ventures and Smart Plus. Accordingly, each of Evergreen Group, Ventures Day, Acemaster Ventures, Cowden Ventures, Fast Track, Golden Image, Market Focus, Punchline Ventures and Smart Plus is a subsidiary of Evergreen Holdings and an associated corporation of our Company.
- (3) Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of our Company under the SFO.

(b) Interests and short positions of substantial shareholders in the Shares and underlying Shares of our Company

So far as it is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) Long positions and short positions in our Shares

<u>Name of Shareholder</u>	<u>Capacity/ nature of interest</u>	<u>Number of Shares</u>	<u>Approximately percentage of shareholding</u>
Evergreen Holdings	Beneficial owner	336,903,803	54.8%
Golden Evergreen ⁽¹⁾	Interest in controlled corporation	336,903,803	54.8%
FC Investment ⁽¹⁾	Interest in controlled corporation	336,903,803	54.8%
FC Management ⁽¹⁾	Interest in controlled corporation	336,903,803	54.8%
CLC Investment ⁽¹⁾	Interest in controlled corporation	336,903,803	54.8%
CLC Management ⁽¹⁾	Interest in controlled corporation	336,903,803	54.8%
HSBC International Trustee Limited ⁽¹⁾	Trustee of a trust	336,903,803	54.8%
Ms. Wong Hor Yan ⁽²⁾	Interest of spouse	336,903,803	54.8%
SEAVI Advent ⁽³⁾	Beneficial owner	93,596,197	15.2%
SEAVI Advent Equity V (A) Ltd ⁽³⁾	Interest in controlled corporation	93,596,197	15.2%

Notes:

- (1) Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management and HSBC International Trustee Limited is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.
- (2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.
- (3) SEAVI Advent will grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) under the International Placing Agreement, pursuant to which SEAVI Advent may be required to sell up to 27,675,000 additional Shares. Assuming the Over-allotment Option is exercised in full, the number of Shares held by SEAVI Advent will be reduced to 65,921,197. SEAVI Advent is wholly owned by SEAVI Advent Equity V (A) Ltd. SEAVI Advent Equity V (A) Ltd is deemed to be interested in the Shares held by SEAVI Advent under the SFO. In order to facilitate the settlement of over-allocations in connection with the Global Offering, SEAVI Advent will lend up to 27,675,000 Shares to the Stabilising Manager to cover over-allocations, through the stock borrowing arrangement under the Stock Borrowing Agreement. See "Structure of the Global Offering – Stock Borrowing Arrangement" for details. SEAVI Advent has undertaken to our Company that, except for the arrangement under the Global Offering (including the sale of initially 30,750,000 Sale Shares under the International Placing, the Over-allotment Option and the arrangements under the Stock Borrowing Agreement), for a period of six months from the Listing Date, SEAVI Advent will not dispose of, nor will it enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of its Shares.

(ii) Long positions in the shares of our subsidiaries

<u>Name of subsidiary</u>	<u>Name of substantial shareholder</u>	<u>Percentage of shareholding in our subsidiary</u>
Evergreen Printing	Eastern Alpha Limited	49%
E5 Company	Aplan TGS	49%

2. Directors' letters of appointment

Each of our Directors has entered into a letter of appointment with our Company for an initial fixed term of three years commencing from the Listing Date. Either our Company or our Director may give at least three months' written notice to the other party for early termination of the letter of appointment. In addition, each of our executive Directors is also entitled to a discretionary bonus if so recommended by the remuneration committee of our Company and approved by our Board having regard to, among others, the operating results of our Group and the performance of the executive Director.

Save as disclosed above, 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 the payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors in respect of each of the three years ended 31 December 2014, 2015 and 2016 were approximately HK\$2.2 million, HK\$2.5 million and HK\$3.1 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2014, 2015 and 2016, by any of member of the Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2017 to be approximately HK\$2.5 million.

None of our Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for each of the three years ended 31 December 2014, 2015 and 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2014, 2015 and 2016.

4. Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

5. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (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 and short positions which he is taken or deemed to have under such provisions of 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 the Shares are listed;
- (b) none of our Directors and the experts named in “– E. Other Information – 7. Qualifications of Experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) so far as is known to any Director or chief executive of our Company, 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) so far as is known to our Director, they are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Global Offering, have an interest or short position in the 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 who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, 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. SHARE OPTION SCHEME**1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	19 June 2017, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
“Board”	our Board or a duly authorised committee of our Board
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Participants”	any person who satisfies the eligibility requirements under the Share Option Scheme
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 19 June 2017:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any Participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a Participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which the option is offered; and (iii) the nominal value of a Share on the date on which the option is offered. For the purpose of calculating the subscription price where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares shall be used as the closing price for any Business Day fall within the period before Listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of options is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 61,500,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 61,500,000 Shares from time to time) to the Participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such Participants, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each Participant

The total number of Shares issued and to be issued upon exercise of options granted to any Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date on which the option is offered for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- (i) Any grant of options to a Director, chief executive or substantial Shareholder (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (ii) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. Such grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the proposed grant at such general meeting. Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after any inside information (as defined in the SFO) has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-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) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date on which the option is offered subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group on which the option is offered and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his options shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of our Group at the date on which the option is offered and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the options (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall as may be give a grantee, as near as possible, the same proportion of the issued share capital of our Company as (in any event shall not greater than) that to which he was previously entitled and any such adjustments shall be made on the basis that the aggregate subscription prices payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than, except upon any consolidation of the Shares pursuant to this paragraph) it was before such event, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror), our Company shall use its best endeavours to procure that an appropriate offer is extended to all the grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by exercise in full of the options granted to them, as Shareholders) and when such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, 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. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder 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 court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) 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 such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (1) the expiry of the period referred to in paragraph (i) above;
- (2) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (3) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (n), (o), (q), (r) or (s) above;
- (4) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (5) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (6) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (7) subject to the compromise or arrangement as referred to in paragraph (s) becoming effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction such majority of the grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

- (ii) Any alterations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (iv) Any amendment to any terms of the Share Option Scheme or any options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, there was no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group.

2. Preliminary Expenses

The preliminary expenses of our Company were US\$5,313 (approximately HK\$41,335) and payable by our Company.

3. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2016 (being the date on which our latest financial statements were made up) up to the Latest Practicable Date.

4. Promoter

Our Company does not have any promoter. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering or the related transactions described in this prospectus.

5. Compliance Adviser

Our Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

6. 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 the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intended holders of the 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 the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualifications of Experts

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

<u>Name</u>	<u>Qualifications</u>
CIMB Securities Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Haiwen & Partners	PRC Legal Advisers
Doulah & Doulah	Bangladesh Legal Advisers
Travers Thorp Alberga	Cayman Islands attorneys-at-law
Frost & Sullivan	Industry Consultant

8. Consents of Experts

Each of the experts named in “– E. Other Information – 7. Qualifications of Experts” 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 opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Binding Effect

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

10. Particulars of the Selling Shareholder

Certain particulars of the Selling Shareholder are set out as follows:

<u>Name</u>	<u>Description</u>	<u>Registered address</u>	<u>Number of Sale Shares (assuming that the Over-allotment Option is not exercised)</u>	<u>Additional number of Sale Shares offered pursuant to the Over-allotment Option</u>
SEAVI Advent	It is an investment holding company.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	30,750,000	27,675,000

11. Estate Duty, Tax and Other Indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received which any member of our Group may be subject to and payable on or before the Listing Date; and (ii) any losses suffered or incurred by any member of our Group arising out of any non-tax claims against any member of our Group to the extent that such losses relate to acts or omission or transactions entered into by any member of our Group on or prior to the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries. Our Controlling Shareholders will not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (i) to the extent a provision, reserve or allowance has been made for such liability in the audited combined financial statements of our Group during the Track Record Period; or
- (ii) taxation liability arises or is incurred as a result of retrospective change in law or a retrospective increase in tax rate coming into effect after the Listing Date; or
- (iii) taxation liability arises in ordinary course of business of our Group after the Listing Date.

Each of our Controlling Shareholders has also jointly and severally undertaken to indemnify and keep each of our Group members fully indemnified against all claims, losses, liabilities, damages, costs, charges, fees, expenses, fines suffered or incurred by any of our Group members as a result of or in connection with any of the following, including but not limited to: (a) any non-compliance with applicable laws, rules or regulations by our Group, including but not limited to those referred to in “Business – Licences, Regulatory Approvals and Compliance – Non-compliance” in this prospectus; (b) the title defect of our owned or leased properties or any other non-compliance with applicable laws, rules or regulations in relation to the properties owned or leased by us, including but not limited to those referred to in “Business – Properties”; and (c) any liability in relation to the Reorganisation as referred to in “Our History and Development – Reorganisation”, in each case, in relation to events occurred on or before the Listing Date.

12. The Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor’s fee in relation to our Listing is HK\$5.0 million.

The Sole Sponsor has made an application on our Company’s behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme). All necessary arrangements have been made for the Shares to be admitted into CCASS.

13. 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; and
 - (iv) no commission has been paid or payable (except for commission to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in our Company or any of our subsidiaries.
- (b) No founder, management or deferred shares of our Company has been issued.
- (c) 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.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by International Corporation Services Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by Tricor Investor Services Limited and may not be registered on the principal register of members in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (e) Save as disclosed in this prospectus, no equity or debt securities of our Company is listed or dealt in on any stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (f) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) Save in connection with the Underwriting Agreements, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies, between the English language version and the Chinese language version, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Consents of Experts” in Appendix IV to this prospectus; and
- (d) particulars of the Selling Shareholder referred to in the section headed “Statutory and General Information – E. Other Information – 10. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Jones Day, 31/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Group for the years ended 31 December 2014, 2015 and 2016;
- (c) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information, the text of which is set out in Appendix II;
- (e) the legal opinions issued by Haiwen & Partners, our PRC Legal Advisers, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (f) the legal opinions issued by Doulah & Doulah, our Bangladesh Legal Advisers, in respect of certain aspects of our Group and the property interests of our Group in Bangladesh;
- (g) the letter of advice prepared by Travers Thorp Alberga, our Cayman legal advisers, summarising certain aspects of the Cayman Islands company law referred to in Appendix III;
- (h) the Frost & Sullivan Report;
- (i) the material contracts referred to the section headed “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV;

- (j) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Consents of Experts” in Appendix IV;
- (k) the letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Directors’ Letters of Appointment” in Appendix IV;
- (l) the rules of the Share Option Scheme;
- (m) particulars of the Selling Shareholder referred to in the section headed “Statutory and General Information – E. Other Information – 10. Particulars of the Selling Shareholder” in Appendix IV; and
- (n) the Cayman Companies Law.



Evergreen Products Group Limited
訓修實業集團有限公司