



# Prosperous Industrial (Holdings) Limited

*(Incorporated in Cayman Islands with limited liability)*

Stock code: 1731

## GLOBAL OFFERING

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



Joint Lead Managers



# IMPORTANT

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



## PROSPEROUS INDUSTRIAL (HOLDINGS) LIMITED

其利工業集團有限公司

(Incorporated in Cayman Islands with limited liability)

### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	280,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	28,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	252,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.25 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$0.89 per Offer Share
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	1731

#### Sole Sponsor



華高和昇財務顧問有限公司  
WAG Worldsec Corporate Finance Limited

#### Sole Global Coordinator and Sole Bookrunner



華金證券(國際)有限公司  
Huajin Securities (International) Limited

#### Joint Lead Managers



華金證券(國際)有限公司  
Huajin Securities (International) Limited



博協 勤同 博勤證券有限公司  
Woblessed Securities Limited



宏滙證券有限公司  
GRAND VIEW SECURITIES LIMITED

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 "1. Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Delivered to the Registrar of Companies in Hong Kong" 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 9 July 2018 and, in any event, not later than 12:00 noon on Wednesday, 11 July 2018. The Offer Price will be not more than HK\$1.25 per Offer Share and is currently expected to be not less than HK\$0.89 per Offer Share unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.25 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$1.25 per Offer Share.

The Sole Global Coordinator, for itself and on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.89 to HK\$1.25 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative offer price range will be published on our website at [www.pihl.hk](http://www.pihl.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares in the Global Offering and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator, for itself and on behalf of the Underwriters, and the Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

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

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## EXPECTED TIMETABLE

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We will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.pihl.hk](http://www.pihl.hk) if there is any change in the following expected timetable of the Hong Kong Public Offering.

2018  
(Note 1)

Hong Kong Public Offering commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on Friday, 29 June 2018

Latest time to complete electronic applications under

**HK eIPO White Form** service through the designated website

at [www.hkeipo.hk](http://www.hkeipo.hk) (Note 2) . . . . . 11:30 a.m. on Friday, 6 July 2018

Application lists open (Note 3) . . . . . 11:45 a.m. on Friday, 6 July 2018

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) . . . . . 12:00 noon on Friday, 6 July 2018

Latest time to give **electronic application instructions**

to HKSCC (Note 4) . . . . . 12:00 noon on Friday, 6 July 2018

Latest time to lodge **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Friday, 6 July 2018

Application lists close . . . . . 12:00 noon on Friday, 6 July 2018

Expected Price Determination Date (Note 5) . . . . . Monday, 9 July 2018

Announcement of the final Offer Price, indication of

the levels of interest in the International Placing,  
the basis of allocation and the results of applications  
in the Hong Kong Public Offering to be published  
on our website at [www.pihl.hk](http://www.pihl.hk) and the website

of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Thursday, 12 July 2018

Announcement of results of allocations in

the Hong Kong Public Offering (with successful  
applicants' identification document numbers,  
where appropriate) to be available through  
a variety of channels including our website  
at [www.pihl.hk](http://www.pihl.hk) and the website of the Stock Exchange  
at [www.hkex.com.hk](http://www.hkex.com.hk) (please see "How to Apply for  
Hong Kong Offer Shares – 11. Publication of Results"

for further details) from . . . . . Thursday, 12 July 2018

Results of allocations in the Hong Kong Public Offering

will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with  
a "search by Identification Number/Business

Registration Number" function . . . . . Thursday, 12 July 2018

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## EXPECTED TIMETABLE

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2018  
(Note 1)

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (Notes 6 to 9) . . . . . Thursday, 12 July 2018

Despatch/Collection of Share certificates (if applicable) in respect of wholly successful (if applicable) or wholly or partially unsuccessful application on or before (Notes 6 to 9) . . . . . Thursday, 12 July 2018

Dealings in the Shares on the Stock Exchange expected to commence on . . . . . 9:00 a.m. on Friday, 13 July 2018

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application 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 Friday, 6 July 2018, the application lists will not open on that day. For details, please see “How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Monday, 9 July 2018. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, 11 July 2018 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 12 July 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 13 July 2018 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch 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 Thursday, 12 July 2018 or any other day that we announced as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.



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## EXPECTED TIMETABLE

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

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

9. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$1.25 per Offer Share.

**You should read carefully "Underwriting", "Structure and Conditions of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund monies and share certificates.**

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Information contained in our website, located at [www.pihl.hk](http://www.pihl.hk) does not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading manufacturer that designs, develops and manufactures recreational bags and packs, which are mainly backpacks, and provides quality supply chain management services for renowned global brands. According to the CIC Report, we are the third largest player in the global bags and packs manufacturing industry and the largest player in the global recreational bags and packs manufacturing and SCM market in terms of sales revenue in 2017, with market shares of approximately 4.0% and 5.5% respectively.

Unlike traditional OEM or ODM manufacturers that focus on certain stages of the production process, we are able to provide our customers with high value-added and integrated PDM and SCM services ranging from product development, product design optimisation, raw material recommendation and development, prototyping, production management, quality control to logistics and delivery. Leveraging on our product design and development capabilities and manufacturing knowhow accumulated over the past 20 years, our PDM business model has enabled us to develop and/or enhance structural and functional designs to meet the increasingly sophisticated needs of our customers, and has helped position us as a value-creator at the front-end of the supply chain.

During the Track Record Period, our revenue from sales of bags and packs manufactured for brand owner customers were approximately US\$223.3 million, US\$217.9 million and US\$256.2 million in FY2015, FY2016 and FY2017 respectively, which accounted for over 98% of our total revenue in each of these financial years.

To build on our operating history and product design and development knowhow, we introduced PROMAX, our proprietary brand of bags and packs in 2007 and rebranded it as MAISON PROMAX, which we positioned as an entry-level luxury fashion brand of bags and packs. For FY2015, FY2016 and FY2017, our revenue from sales of our proprietary branded products represented 1.0%, 1.2% and 0.9% of our total revenue respectively.

The following table sets out, for the periods indicated, our revenue, gross profit margin, sales quantity and average selling price (“ASP”) by product category of our bags and packs during the Track Record Period:

Product category	FY2015				FY2016				FY2017			
	Revenue US\$'000	Gross Profit Margin %	Sales Quantity Pc'000	ASP US\$/pc	Revenue US\$'000	Gross Profit Margin %	Sales Quantity Pc'000	ASP US\$/pc	Revenue US\$'000	Gross Profit Margin %	Sales Quantity Pc'000	ASP US\$/pc
Outdoor & sporting	131,105	58.2	13,549	9.7	134,027	60.8	13,721	9.8	155,327	60.1	15,389	10.1
Functional	50,710	22.5	4,303	11.8	42,122	19.1	3,133	13.4	60,963	23.6	5,004	12.2
Fashion & casual	37,287	16.5	3,535	10.5	39,953	18.1	3,902	10.2	34,514	13.3	3,520	9.8
Others	6,240	2.8	730	8.5	4,355	2.0	473	9.2	7,694	3.0	681	11.3
<b>Total</b>	<b>225,342</b>	<b>100.0</b>	<b>22,117</b>	<b>10.2</b>	<b>220,457</b>	<b>100.0</b>	<b>21,229</b>	<b>10.4</b>	<b>258,498</b>	<b>100.0</b>	<b>24,594</b>	<b>10.5</b>

During the Track Record Period, our product mix remained relatively stable and outdoor & sporting bags and packs remained our major category of products sold to our customers.



## SUMMARY

During the Track Record Period, our products were shipped to over 85 countries and mainly delivered to North America, Asia, and Europe. The following table sets forth the breakdown of our revenue by destination of delivery of our products during the Track Record Period:

	FY2015		FY2016		FY2017	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	US\$'000	%	US\$'000	%	US\$'000	%
<b>Geographical location<sup>(Note)</sup></b>						
North America	117,947	52.3	117,500	53.3	124,943	48.3
Asia	64,454	28.6	60,051	27.2	80,850	31.3
Europe	35,632	15.8	33,980	15.4	44,890	17.4
South America	5,117	2.3	5,449	2.5	5,301	2.1
Oceania	1,932	0.9	1,895	0.9	2,282	0.9
Africa	260	0.1	1,582	0.7	232	0.0
<b>Total</b>	<b>225,342</b>	<b>100.0</b>	<b>220,457</b>	<b>100.0</b>	<b>258,498</b>	<b>100.0</b>

*Note:* This provides a geographical breakdown of our revenue by destination of delivery. Please see “Business – Customers – Export Destinations and Sales Locations” in this prospectus for more details.

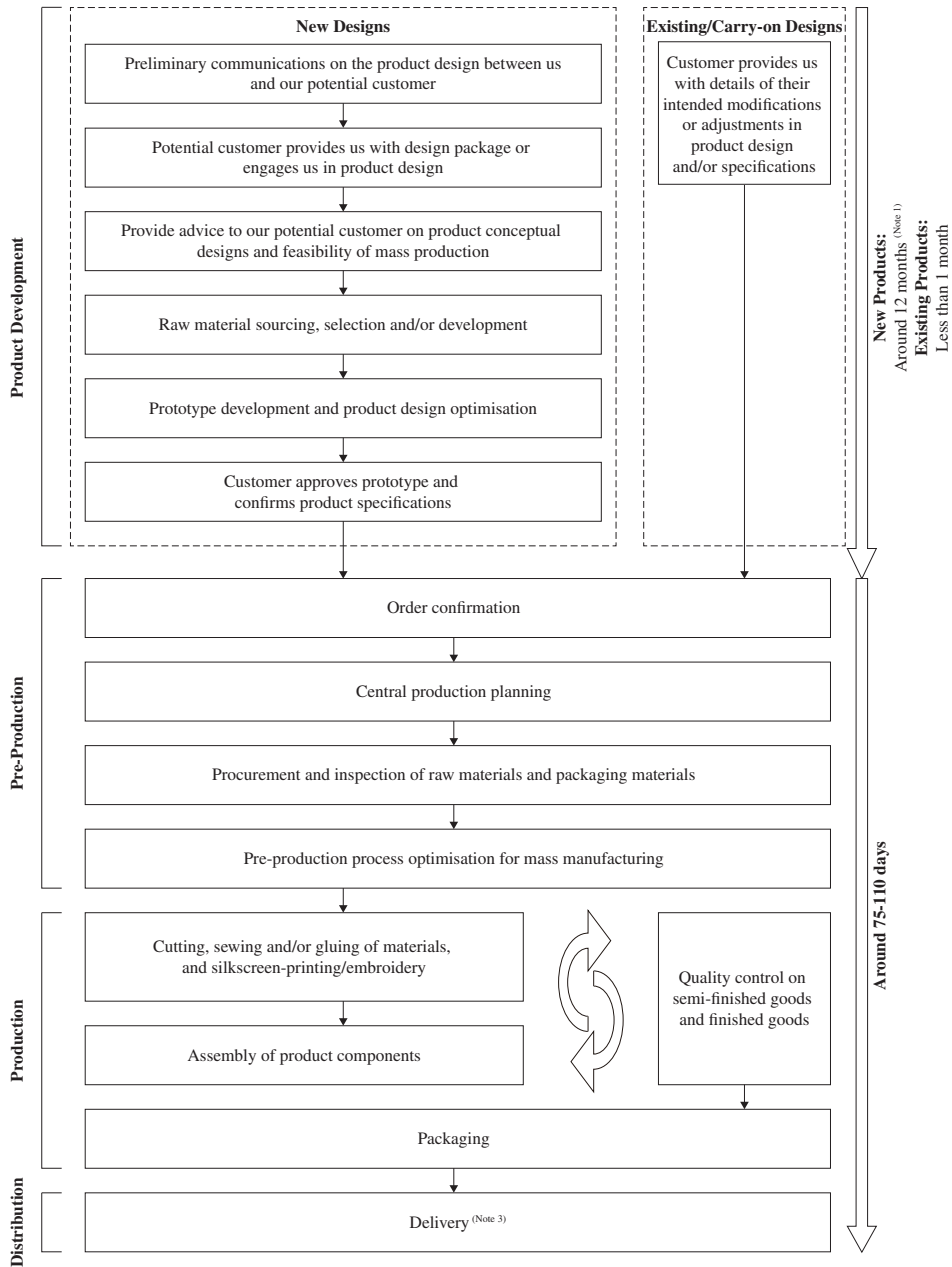
To maintain our competitiveness amidst industry challenges, we have established large-scale and flexible manufacturing capabilities through our multi-regional manufacturing platform consisting of six manufacturing facilities in the PRC, Vietnam and Cambodia. Our multi-regional manufacturing platform, coupled with our overseas production management experience, have enabled us to navigate through preferential import tariffs and international trading policy benefits, and enjoy benefits from lower manufacturing costs and more abundant skilled labour, thereby allowing us to offer products at more competitive ex-factory prices to our customers with higher speed to market, and to support their strategies to venture into new markets, which we believe have reinforced our relationships with our existing major customers and enhanced our ability to attract potential ones.

### OUR BUSINESS MODEL

With over 20 years of experience in the recreational bags and packs manufacturing industry, we have been devoted to developing a business model with particular focus on product development, on which our key customers have placed great value as proven by our long-term partnerships with them. Our business model also allows us to proactively initiate product designs with our customers, and collaborate and interact with them on product development, product design optimisation, raw materials selection and development, as well as early production planning, which we believe could help ensure the feasibility and commercial viability of mass production for our customers, and has differentiated us from traditional OEM bags and packs manufacturers.

# SUMMARY

The following flowchart depicts our typical business processes involved in the delivery of our products and provision of our supply chain management services to our customers:



**Notes:**

1. Our major customers generally initiate new product launches on bi-yearly basis and approach us around six to twelve months prior to each new product launch to kick-start the product design and development process.
2. The order of certain business processes depicted in the above flowchart may vary depending on the specific requirements of each of our brand owner customers.
3. Where necessary, we also provide supply chain management services whereby we would gain access to our customers' system for managing the delivery of our products to their designated delivery points.

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## SUMMARY

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The production process for our proprietary branded products is also characterised by the product development, pre-production, production and distribution stages, save that there is no customer participation throughout the production process and product development is initiated and controlled by our proprietary brand designer team stationed in Guangzhou Glorieux. Moreover, purchase orders for our proprietary branded products are placed with our Guangzhou Production Base by the designated sales team of our proprietary brand based on our sales forecast and sales performance. The distribution of our proprietary branded products is also supported by our retail sales and marketing efforts.

### OUR PRODUCTION FACILITIES

We manufacture our products in our production facilities in Dongguan, Guangzhou and Jiangxi, the PRC and Dong Nai Province, Vietnam during the Track Record Period. Plant One of our new Cambodia Production Base was also established and put into operation in February 2018. Our self-owned Guangzhou Production Base was erected on land in which we owned land use right, and the land and buildings constituting our Dongguan Production Base, Jiangxi Production Base, Vietnam Production Base and Plant One of our Cambodia Production Base are leased from third parties. All machinery and production equipment in our production bases are owned by us.

The following table sets out the utilisation rate of each of our production facilities during the Track Record Period:

	Utilisation Rate (%)		
	FY2015	FY2016	FY2017
Dongguan Production Base			
(i) Liaobu Plant	66.4	72.1	79.6
(ii) Dongkeng Plant	90.1	84.3	73.8
Guangzhou Production Base	72.3	80.2	81.9
Jiangxi Production Base	92.3	84.6	87.8
Vietnam Production Base	<u>86.1</u>	<u>86.8</u>	<u>87.8</u>
<b>Total</b>	<u><u>78.6</u></u>	<u><u>80.7</u></u>	<u><u>83.3</u></u>

*Note:* The utilisation rate is derived by dividing the production volume by the estimated production capacity.

### OUR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For FY2015, FY2016 and FY2017, we had over 40, 35 and 30 brand owner customers respectively, which are mainly well-known multinational sports and lifestyle brand owners and their agents, licensees and distributors. These customers purchase their products from us directly.

During the Track Record Period, we also engaged in sales of our proprietary branded products to end customers in Taiwan, which represented an insignificant portion of our total revenue.

During the Track Record Period, we had developed business relationships with over 40 apparel or travel accessories brand owners and their business partners, among which our five largest customers with whom we have cooperated for a period ranging from 9 to 24 years were internationally renowned sports and lifestyle brand owners mainly headquartered in the U.S., Germany and Italy. According to the CIC Report, among the top ten largest brand owners for fashion & casual and outdoor & sporting bags and packs which together captured an aggregate market share of approximately 34.3% in terms of retail sales in 2017, our Group has formed long term-supply relationship with seven of them. For FY2015, FY2016 and FY2017, revenue generated from our top

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## SUMMARY

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five customers in aggregate accounted for 66.4%, 69.9% and 72.9% of our total revenue, respectively and revenue generated from our largest customer accounted for 20.2%, 25.3% and 27.2% of our total revenue, respectively. Our top five customers during the Track Record Period were Independent Third Parties.

Most of our suppliers of principal raw materials are situated in Taiwan and the PRC but we also procure raw materials from Vietnam, Thailand and Korea. Our principal raw materials include synthetic leather made with thermoplastic polyurethane (TPU), nylon, PU, knitted ropes, polyester and metallic components such as zippers, clamps and buckles. For FY2015, FY2016 and FY2017, our total purchases from suppliers represented 56.5%, 58.3% and 53.7% of our cost of sales, respectively. Our customers generally indicate to us their approved suppliers for certain raw materials, and we are required to procure such raw materials only from their approved suppliers. For FY2015, FY2016 and FY2017, we purchased from over 625, 560 and 500 suppliers, respectively. Purchases from our largest supplier for FY2015, FY2016 and FY2017 accounted for 5.5%, 6.7% and 6.7% of our total purchases, respectively.

For certain steps of our production process, such as gluing, sewing, embroidery and silkscreen printing, we engage subcontractors to provide such services on an as-needed basis. For FY2015, FY2016 and FY2017, relevant service fees incurred in the engagement of our subcontractors amounted to 12.3%, 12.8% and 14.8% of our total cost of sales, respectively.

### OUR COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths which are crucial to our success and essential to our future growth: (a) leading market position with established customer base comprising renowned multinational sports and lifestyle brands; (b) multi-regional manufacturing platform consisting of large-scale and flexible manufacturing facilities; (c) in-depth knowhow in the manufacture of bags and packs and strong product development capabilities; (d) established production control system to ensure high product and services quality; and (e) experienced management team with in-depth industry knowledge and a proven track record of delivering business growth.

### OUR BUSINESS STRATEGIES

We intend to continue to strengthen our leading position in the global recreational bags and packs manufacturing and SCM market, enhance our overall competitiveness and increase our market share in the future. To achieve these goals, we will adopt the following strategies: (a) further enhance our manufacturing capability and flexibility by expanding our manufacturing platform in Cambodia; (b) enhance our production efficiency and capabilities as well as our quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, setting up of a research and development centre and additional testing laboratories; (c) continue to enhance brand recognition for our MAISON PROMAX brand and expand our retail business; and (d) enhance our information and technology infrastructure.

### HIGHLIGHTS OF RISK FACTORS

There are certain risks involved in our operations set forth in the section headed “Risk Factors” in this prospectus. You should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares. Some of the major risk factors include: (a) if the preferential policies and import duty treatments we currently enjoy become unavailable, terminated or amended, it could adversely affect our business and profitability; (b) adverse changes in the North American market may affect our revenue and profit; (c) we rely on our major customers and this may expose us to risks relating to fluctuations or decline in our revenue; (d) our success depends on our customers’ ability to successfully sell their products sourced from us, the demand for which is volatile; (e) our results of operations depend on our ability to remain cost competitive; (f) our manufacturing operations are subject to environmental safety and health regulations as well as customer-imposed

## SUMMARY

safety, health, environmental, human rights and anti-terrorism guidelines that may increase our costs or restrict our operations; (g) our products exported from our PRC production bases to the U.S. may be subject to high tariff rates under the trade war between the U.S and the PRC, which could adversely affect our sales volumes, profitability and results of operations; and (h) fluctuations in exchange rates could result in foreign currency exchange losses.

### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering, Prosperous BVI will effectively hold 52.5% of our Shares eligible to vote in general meeting of our Company (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the options which may be granted under the Share Option Scheme). Prosperous BVI is held as to 23%, 23%, 12%, 12%, 12%, 6%, 6% and 6% by Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Tony Yeung, Mr. Theodore Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung, respectively. In view of the family relationship between members of the Yeung Family, our Company considers it appropriate that Prosperous BVI together with Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Tony Yeung, Mr. Theodore Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung are considered as a group of controlling shareholders of our Company within the meaning of the Listing Rules upon Listing. Our Controlling Shareholders confirm that they and their respective associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules. For details of the continuing connected transactions between our Controlling Shareholders and our Group, please see "Continuing Connected Transactions" in this prospectus.

### SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The following tables set forth selected financial and operating data from our selected consolidated financial information for the periods indicated. For more details on the financial information, please refer to "Financial Information" in this prospectus.

#### Summary of Consolidated Statements of Profit or Loss

	FY2015		FY2016		FY2017	
	Amount US\$'000	Percentage of total revenue %	Amount US\$'000	Percentage of total revenue %	Amount US\$'000	Percentage of total revenue %
<b>Revenue</b>	225,342	100.0	220,457	100.0	258,498	100.0
Cost of sales	(173,182)	(76.9)	(165,329)	(75.0)	(195,683)	(75.7)
<b>Gross profit</b>	52,160	23.1	55,128	25.0	62,815	24.3
Other income and gains, net	2,236	1.0	2,826	1.3	2,211	0.9
Selling and distribution expenses	(14,856)	(6.6)	(13,510)	(6.1)	(14,914)	(5.8)
Administrative expenses	(18,705)	(8.3)	(19,162)	(8.7)	(23,530)	(9.1)
Other expenses, net	(3,299)	(1.5)	(2,711)	(1.3)	(952)	(0.4)
Finance costs	(79)	(0.0)	(36)	(0.0)	-	-
<b>Profit before tax</b>	17,457	7.7	22,535	10.2	25,630	9.9
Income tax	(3,639)	(1.6)	(3,940)	(1.8)	(4,548)	(1.7)
<b>Profit for the year</b>	<u>13,818</u>	<u>6.1</u>	<u>18,595</u>	<u>8.4</u>	<u>21,082</u>	<u>8.2</u>



## SUMMARY

During the Track Record Period, increase in our revenue is generally in line with the increase in our sales volume and primarily attributable to increases in our customers' demand for our PDM and SCM services for the production of bag and packs in order to cope with their changes in product offerings or expansion into different markets.

Primarily attributable to the increase in our sales volume and revenue, our net profit also increased at a CAGR of 23.5% from FY2015 to FY2017.

### Summary of Consolidated Statements of Financial Position

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current assets	119,612	128,462	155,414
Current liabilities	51,286	51,339	90,512
Non-current assets	45,803	43,888	44,527
Non-current liabilities	1,202	834	1,104
Net current assets	68,326	77,123	64,902

Our current assets slightly increased from US\$119.6 million as at 31 December 2015 to US\$128.5 million as at 31 December 2016 was primarily due to the increase in our trade and bills receivables as we recorded relatively higher sales in December 2016 compared to December 2015. Our current assets further increased to US\$155.4 million as at 31 December 2017 was primarily attributable to the increase in our cash and cash equivalents in the period which generated mainly from our net cash from operating activities during FY2017.

Our current liabilities as at 31 December 2015 and 2016 was relatively stable and increased to US\$90.5 million as at 31 December 2017 which was primarily due to a dividend of US\$35.0 million payable as at 31 December 2017.

### Summary of Consolidated Cash Flows Statements

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net cash from operating activities	15,316	22,379	30,438
Net cash (used in)/from investing activities	(7,324)	(10,311)	6,284
Net cash used in financing activities	<u>(6,183)</u>	<u>(11,894)</u>	<u>(3,211)</u>
Net increase in cash and cash equivalents	1,809	174	33,511
Cash and cash equivalents at beginning of year	35,383	36,980	36,959
Effect of foreign exchange rate changes, net	<u>(212)</u>	<u>(195)</u>	<u>851</u>
Cash and cash equivalents at end of year	<u><u>36,980</u></u>	<u><u>36,959</u></u>	<u><u>71,321</u></u>

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## SUMMARY

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### Key Financial Ratios

	FY2015	FY2016	FY2017
Gross Profit Margin (%)	23.1	25.0	24.3
Net Profit Margin (%)	6.1	8.4	8.2
Return on equity (%)	12.3	16.0	18.5
Return on total assets (%)	8.6	11.0	11.3

Our overall gross profit margin was relatively stable during the Track Record Period. Our slightly higher gross profit margin for FY2016 was mainly due to the decrease in our sales of functional bags and packs which entailed relatively lower gross profit margins.

	As at 31 December		
	2015	2016	2017
Current ratio	2.3	2.5	1.7
Quick ratio	1.7	1.9	1.4
Gearing ratio (%) (Note)	5.3	–	–

Note:

Gearing ratio was calculated as total debt divided by total equity and multiplied by 100%.

For more information on the calculation of the above financial ratios, please refer to “Financial Information – Key Financial Ratios” in this prospectus.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, based on the unaudited consolidated financial information of our Group for the four months ended 30 April 2018, we recorded a decrease in revenue as compared to the corresponding period in 2017 mainly attributable to the decrease in orders from a number of major customers. The Directors believe that the decrease in orders from these customers are temporary and mainly attributable to (i) a major customer has adopted new inventory management initiatives and affected its procurement orders; (ii) a change in management of a major customer that led to temporary delay in its decision making process hence delay in procurement orders; and (iii) the temporary shift in the sales strategy of a major customer, a globally renowned sports brand, whereby procurement resources were re-allocated to its core products (e.g. soccer jersey and shirts) because of the FIFA World Cup event in June 2018. Our gross profit margin also slightly decreased mainly due to the increase in operating costs of our PRC production facilities attributable to the appreciation of RMB against USD. Our net profit for the four months ended 30 April 2018 compared to the corresponding period in 2017 also decreased, which was mainly attributable to listing expenses we incurred, the salary adjustments of certain of our staff subsequent to the Track Record Period and operating costs of Plant One of our Cambodia Production Base incurred since it has been put into operation in February 2018.

As far as we are aware, except for those disclosed above, there was no material change in the market and regulatory environment in our industry that had materially and adversely affected our business operations, results of operations, or financial condition since 31 December 2017 and up to the Latest Practicable Date. Our Directors confirm that up to the date of this prospectus, save for the information disclosed above, there has been no material adverse change in our business operations, results of operations, or financial condition since 31 December 2017, being the date to which our latest audited consolidated financial information was prepared.

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## SUMMARY

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### INTERNATIONAL SANCTIONS ON SHIPMENTS TO SANCTIONED JURISDICTIONS

During the Track Record Period, we shipped some of our products to the Sanctioned Jurisdictions, namely, Egypt, Lebanon, Tunisia, Russia, Ukraine and Venezuela, and the total revenue generated from the shipments to these countries during the Track Record Period ranged between 0.5% to 1.2%. The U.S. and certain other jurisdictions, including Australia, the E.U., and the U.N. maintain certain specific economic sanctions against the countries mentioned above.

Our Sanctions Law Legal Advisers have conducted review of our transactions involving Sanctioned Jurisdictions and are of the view that such transactions during the Track Record Period do not present any material sanctions risks to our Company, our Shareholders, its potential investors, the Listing Committee or the Stock Exchange, its affiliates, including the Hong Kong Securities Clearing Company Limited and HKSCC Nominees Limited.

See “Business – International Sanctions on Shipments to Sanctioned Jurisdictions” and “Risk Factors – Our business, financial condition and results of operations could become materially and adversely affected by sanctions on the Sanctioned Jurisdictions by Australia, the E.U., the U.N. or the U.S.” in this prospectus for more information.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$1.07 per Offer Share, being the mid-point of the indicative Offer Price range, will be approximately HK\$249.8 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the net proceeds in the following manner: (i) approximately 67.0% or HK\$167.4 million will be used for further enhancement of our manufacturing capacity and flexibility by expanding our manufacturing platforms in Cambodia; (ii) approximately 15.2% or HK\$38.0 million will be used for enhancement of our production efficiency and capabilities as well as enhancement of our quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, and setting up a research and development centre and additional testing laboratories; (iii) approximately 6.2% or HK\$15.4 million, will be used for enhancing brand recognition of our MAISON PROMAX brand and expansion of our retail business; and (iv) approximately 11.6% or HK\$29.0 million will be used for enhancing our information technology infrastructure. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### OFFERING STATISTICS

The table sets forth the offering statistics of the Global Offering, assuming that the Capitalisation Issue and the Global Offering have been completed and 1,120,000,000 Shares in issue without taking into account any Shares which may be issued upon the exercise of any of the Over-allotment Option.

	<b>Based on an Offer Price of HK\$0.89 per Offer Share</b>	<b>Based on an Offer Price of HK\$1.25 per Offer Share</b>
Market capitalisation of the Shares <sup>(1)</sup>	HK\$996.8 million	HK\$1,400.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup>	HK\$0.93	HK\$1.01

*Notes:*

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 1,120,000,000 Shares expected to be in issue and outstanding following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and based on 1,120,000,000 Shares expected to be in issue and outstanding following the completion of the Global Offering.

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## SUMMARY

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### **DIVIDEND AND DIVIDEND POLICY**

During the Track Record Period, dividends declared to the then shareholders of the Company was US\$10.0 million, nil and US\$35.0 million for FY2015, FY2016 and FY2017, respectively. Our dividend payable of US\$35.0 million as at 31 December 2017 to the then shareholders of the Company has been fully settled by cash prior to the Listing. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Subject to the above factors, our Directors currently intend to recommend dividends of around 30% of our net profit available for distribution to our Shareholders beginning from the financial year ending 31 December 2019. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

### **LISTING EXPENSES**

Listing expenses represent professional fees, underwriting commission and other fees and expenses incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK\$1.07 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expenses is estimated to be approximately US\$6.4 million, of which approximately US\$3.0 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of approximately US\$3.4 million has been or will be reflected in our profit or loss. Listing expenses of US\$0.7 million in relation to services already performed by relevant parties, were reflected in our profit or loss for FY2017, and additional listing expenses of US\$2.7 million are expected to be recognised in our profit or loss subsequent to the Track Record Period. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred. Our results of operations subsequent to the Track Record Period may be affected by the listing expenses we incurred in the period.

### **LEGAL COMPLIANCE**

During the Track Record Period, we had not made full contribution to the social insurance fund and housing provident fund with the relevant authorities for our employees as required under the relevant PRC laws and regulations.

As at the Latest Practicable Date, we had taken remedial actions to rectify the non-compliance incidents and we have adopted, or will adopt before the Listing, a number of internal control procedures to prevent future occurrence and/or reoccurrence of the non-compliance incidents. Please refer to "Business – Legal Proceedings and Compliance" and "Business – Internal Control and Risk Management" in this prospectus for more information.

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## DEFINITIONS

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

“Advanlink”	Advanlink Enterprises Limited, a company established in the BVI with limited liability on 18 July 2005 and a wholly-owned subsidiary of our Company
“affiliate(s)”	in relation to a specified person, means any other person who is, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified person
“APAC”	Asia Pacific, which for the purpose of this prospectus, includes Australia, Cambodia, Hong Kong, India, Indonesia, Japan, Laos, Macau, Mainland China, Malaysia, Mongolia, Myanmar, New Zealand, the Pacific Islands (mainly referring to Polynesia, Micronesia, and Melanesia), Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand, Timor-Leste and Vietnam
“Application Form(s)”	the <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 19 June 2018 to become effective upon the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III of this prospectus
“ASEAN”	the Association of Southeast Asian Nations, the member states of which comprise Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“associate”	has the meaning ascribed thereto under the Listing Rules
“ASX”	the Australian Securities Exchange of the Australian Securities Exchange Limited
“Board” or “Board of Directors”	the board of directors of our Company
“brand owner customers”	our third party brand owner customers and their agents, licensees and distributors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Cambodia”	the Kingdom of Cambodia



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## DEFINITIONS

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“Cambodia Expansion Plan”	our expansion plan for establishing our Cambodia Production Base. For more details, please see “Business – Our Strategies – Further enhance our manufacturing capacity and flexibility by expanding our manufacturing platform in Cambodia” in this prospectus
“Cambodia Production Base”	our production base located at Qi-Cang Industrial Park, Phum Trapaing Chheuneang, Khum Peuk, Srok Angsnoul, Kandal Province, Cambodia
“Cambodian Government”	the Royal Government of Cambodia
“Cambodian Parliament”	the National Assembly and the Senate of the Kingdom of Cambodia
“Capitalisation Issue”	the issue of 60,000,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to under “Statutory and General Information – A. Further Information About Our Group – 4. Written resolutions of the then shareholder of our Company passed on 19 June 2018” in Appendix IV to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented 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 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 Pacific”	China Pacific Trading Limited (華鵬貿易有限公司), a company incorporated in Hong Kong with limited liability on 2 August 1994 and owned as to 25%, 25%, 20%, 10%, 10% and 10% by Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Edmond Yeung, Mr. C. F. Yeung and Mr. Philip Yeung, respectively
“CIC”	China Insights Consultancy Limited, an Independent Third Party, being a market research and consulting company
“CIC Report”	the industry report issued by CIC on the global bags and packs manufacturing and supply chain management industry
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Prosperous Industrial (Holdings) Limited (其利工業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Laws on 18 February 2004
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely, Mr. C. F. Yeung, Mr. Edmond Yeung, Mr. Herman Yeung, Mr. Philip Yeung, Mr. Theodore Yeung, Mr. Tony Yeung, Mr. Yeung, Mrs. Yeung and Prosperous BVI
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 26 June 2018 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) containing the indemnities more particularly referred to in “Statutory and General Information – F. Other Information – 1. Deed of Indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 26 June 2018 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain non-competition undertakings, a summary of the principal terms of which is set out in “Relationship with Controlling Shareholders” in this prospectus
“Director(s)” or “our Director(s)”	director(s) of our Company
“Dongguan Excellence”	Dongguan Excellence Travelware Co., Ltd.* (東莞精博旅行用品有限公司), a company established in the PRC as a wholly-foreign owned enterprise on 7 December 2004 and an indirect wholly-owned subsidiary of our Company
“Dongguan Production Base”	our production bases located at Liaobu Town, Xixi Industrial District, Dongguan, the PRC* (中國東莞市寮步鎮西溪工業區) and Dongkeng Town, Junda Industrial Park, Dongguan, the PRC* (中國東莞市東坑鎮駿達工業園)
“Dongguan Zerong”	Dongguan Zerong Bag Ltd.* (東莞澤榮箱包有限公司), a company established in the PRC as a sino-foreign joint venture on 19 March 1996 and currently an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Dongkeng Plant”	our second production plant in our Dongguan Production Base at Dongkeng Town Junda Industrial Park, Dongguan, the PRC* (中國東莞市東坑鎮駿達工業園)
“East Bright”	East Bright Group Holdings Limited (東耀集團控股有限公司), a company established in Hong Kong with limited liability on 12 October 2015, a wholly-owned subsidiary of our Company
“Easy Great”	Easy Great International Holdings Limited (順偉國際集團有限公司), a company established in Hong Kong with limited liability on 5 July 2015, a wholly-owned subsidiary of our Company
“Estate Duty Ordinance”	the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“E.U.” or “European Union”	the European Union
“Fame Mark”	Fame Mark Corporation Limited (興誌有限公司), a company incorporated in Hong Kong with limited liability on 23 December 2016 and a wholly-owned subsidiary of our Company
“Farway Group”	Farway Group Limited (飛宏集團有限公司), a company incorporated as a limited liability company under the laws of the BVI on 2 January 2013, and a wholly-owned subsidiary of our Company prior to its voluntary liquidation on 14 August 2017
“FY2015”	financial year of our Company ended 31 December 2015
“FY2016”	financial year of our Company ended 31 December 2016
“FY2017”	financial year of our Company ended 31 December 2017
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Glorieux BVI”	Glorieux International Limited, a company established in BVI with limited liability on 21 April 2004 and a wholly-owned subsidiary of our Company
“Glorieux HK”	Glorieux International (H.K.) Limited (澤榮國際(香港)有限公司) (formerly known as Glorieux International Limited澤榮國際有限公司), a company established in Hong Kong with limited liability on 5 May 2004 and a wholly-owned subsidiary of our Company
“Glorieux Indonesia”	PT. Glorieux International Indonesia, a company established in Indonesia with limited liability on 16 March 2016, an indirect wholly-owned subsidiary of our Company and in the process of being deregistered as at the Latest Practicable Date

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“Glorieux Industrial (China)”	Glorieux Industrial (China) Limited (澤榮實業(中國)有限公司), a company established in Hong Kong with limited liability on 9 January 1992 and a wholly-owned subsidiary of our Company
“Glorieux Industrial”	Glorieux Industrial Limited (澤榮實業有限公司), a company established in Hong Kong with limited liability on 8 February 1985 owned as to 50%, 30% and 20% by Mr. Herman Yeung, Mr. Philip Yeung and Mr. Edmond Yeung, respectively, prior to its members’ voluntary winding up on 20 February 2013
“Grand One”	Grand One Limited (弘一有限公司), a company established in Hong Kong with limited liability on 12 December 2014 and a wholly-owned subsidiary of our Company
“Great Pacific”	Great Pacific Investments Ltd., a company established in the BVI with limited liability on 19 October 1992, and one of our substantial Shareholders
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangzhou Glorieux”	Guangzhou Glorieux Traveling Articles Co., Ltd.* (廣州澤榮旅行用品有限公司), a company established in the PRC as a wholly-foreign owned enterprise on 5 March 2004 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Hongqitai”	Guangzhou Hongqitai Trading Co., Ltd.* (廣州宏其泰貿易有限公司), a company established in the PRC as a wholly-foreign owned enterprise on 10 February 2014, an indirect wholly-owned subsidiary of our Company prior to its voluntary deregistration on 17 November 2017
“Guangzhou Kengtou”	Guangzhou Kengtou Handbag Traveling Articles Co., Ltd.* (廣州坑頭手袋旅行用品有限公司), a company established in the PRC as a wholly-foreign owned enterprise on 25 March 2015 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Production Base”	our production base located at Nancun Town, Panyu, Guangzhou, the PRC* (中國廣州市番禺區南村鎮)

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## DEFINITIONS

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“Guangzhou Zerbao”	Guangzhou Zerbao Trading Co., Ltd.* (廣州澤保貿易有限公司), a company established in the PRC as a wholly-foreign owned enterprise on 15 January 2013 and an indirect wholly-owned subsidiary of our Company
“Hero City”	Hero City International Limited (英城國際有限公司), a company incorporated as a limited liability company under the laws of the BVI on 11 January 2011, and a wholly-owned subsidiary of our Company prior to its voluntary liquidation on 19 October 2017
“HK\$”, “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application of Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>HK eIPO White Form</b> at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Hong Kong Offer Shares”	28,000,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering subject to reallocation as described in “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters listed in “Underwriting – Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 June 2018 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Sole Sponsor and the Hong Kong Underwriter(s), as further described in “Underwriting” in this prospectus



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## DEFINITIONS

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“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
“International Placing Shares”	252,000,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of the Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“International Sanctions”	all applicable sanctions related laws and regulations including those administered and enforced by the U.S., the E.U., the U.N. or Australia
“International Underwriters”	the underwriter(s) for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, the Company and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting” in this prospectus
“ISO”	International Organisation for Standardisation, a world-wide federation of national standards bodies
“Jiangxi Production Base”	our production base located at Xinfeng County Industrial Park, Jiangxi, the PRC* (中國江西省信豐縣工業園)
“Joint Lead Managers”	Huajin Securities (International) Limited, Nobleseed Securities Limited and Grand View Securities Limited
“Latest Practicable Date”	19 June 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Liaobu Plant”	our first production plant in our Dongguan Production Base at Liaobu Town, Xixi Industrial District, Dongguan, the PRC* (中國東莞市寮步鎮西溪工業區)
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around 13 July 2018, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange

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## DEFINITIONS

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“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maison Promax HK”	Maison Promax Holdings Limited (普瑪斯控股有限公司) (formerly known as All Success International Industrial Limited 偉興國際實業有限公司), a company incorporated in Hong Kong with limited liability on 22 November 2013 and a wholly-owned subsidiary of our Company
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 19 June 2018 and as amended from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. C. F. Yeung”	Mr. Yeung Chak Fung (楊澤烽), one of our Controlling Shareholders, brother of Mrs. Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. Herman Yeung, brother-in-law of Mr. Yeung and uncle of Mr. Tony Yeung and Mr. Theodore Yeung
“Mr. Edmond Yeung”	Mr. Yeung Shu Hung (楊樹雄), one of our Controlling Shareholders and a senior management, brother of Mrs. Yeung, Mr. Philip Yeung, Mr. Herman Yeung and Mr. C. F. Yeung, brother-in-law of Mr. Yeung and uncle of Mr. Tony Yeung and Mr. Theodore Yeung
“Mr. Herman Yeung”	Mr. Yeung Shu Kin (楊樹堅), one of our Controlling Shareholders and an executive Director, brother of Mrs. Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung, brother-in-law of Mr. Yeung and uncle of Mr. Tony Yeung and Mr. Theodore Yeung
“Mr. Philip Yeung”	Mr. Yeung Shu Kai (楊樹佳), one of our Controlling Shareholders and an executive Director, brother of Mrs. Yeung, Mr. Herman Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung, brother-in-law of Mr. Yeung and uncle of Mr. Tony Yeung and Mr. Theodore Yeung
“Mr. Stephen Duong”	Mr. Duong Stephen Dien Sieu (楊衍釗), one of our executive Directors
“Mr. Theodore Yeung”	Mr. Yeung Theodore Tat (楊達), one of our Controlling Shareholders and a senior management, son of Mr. Yeung and Mrs. Yeung, brother of Mr. Tony Yeung and nephew of Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung
“Mr. Tony Yeung”	Mr. Yeung Wang Tony (楊宏), one of our Controlling Shareholders and a member of our senior management, son of Mr. Yeung and Mrs. Yeung, brother of Mr. Theodore Yeung and nephew of Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung

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## DEFINITIONS

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“Mr. Yeung”	Mr. Yeung Ming Sum Richard (楊明深), one of our Controlling Shareholders, spouse of Mrs. Yeung, father of Mr. Tony Yeung and Mr. Theodore Yeung and brother-in-law of Mr. Edmond Yeung, Mr. Herman Yeung, Mr. Philip Yeung and Mr. C. F. Yeung
“Mrs. Yeung”	Mrs. Yeung Wor Foon Stella (楊和歡), one of our Controlling Shareholders, spouse of Mr. Yeung, mother of Mr. Tony Yeung and Mr. Theodore Yeung and sister of Mr. Edmond Yeung, Mr. Herman Yeung, Mr. Philip Yeung and Mr. C. F. Yeung
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NTD”	New Taiwan dollars, the lawful currency of Taiwan
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price Range”	HK\$0.89 to HK\$1.25 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 42,000,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Placing, if any, as further described in “Structure and Conditions of the Global Offering” in this prospectus
“Portwin”	Portwin Limited (港榮有限公司*), a company established in the BVI with limited liability on 2 July 2004 and a wholly-owned subsidiary of our Company
“Pou Sung Vietnam”	Pou Sung Vietnam Co., Ltd, a company established in Vietnam and a wholly-owned subsidiary of Yue Yuen
“PRC” or “China” or “Mainland China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, a qualified PRC law firm as the PRC legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
“Price Determination Date”	the date expected to be on or around 9 July 2018, but no later than 11 July 2018, on which the Offer Price is fixed for the purpose of the Global Offering

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## DEFINITIONS

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“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited
“Promax BVI”	Promax International Holdings Limited, a company established in BVI with limited liability on 15 January 2003 and a wholly-owned subsidiary of our Company
“Promax HK”	Promax International Holdings Limited (普瑪斯國際集團有限公司) (formerly known as Promax International Holdings Limited), a company established in Hong Kong with limited liability on 24 April 2002, an indirect wholly-owned subsidiary of our Company and in the process of being deregistered as at the Latest Practicable Date
“Prosperous BVI”	Prosperous Holdings (Overseas) Limited, a company established in BVI with limited liability on 18 October 1995 and owned as to 23% by Mr. Yeung, 23% by Mrs. Yeung, 12% by Mr. Herman Yeung, 12% by Mr. Tony Yeung, 12% by Mr. Theodore Yeung, 6% by Mr. Philip Yeung, 6% by Mr. Edmond Yeung and 6% by Mr. C. F. Yeung
“Prosperous HK”	Prosperous International Limited 其利國際有限公司, a company established in Hong Kong with limited liability on 21 June 1994 and a wholly-owned subsidiary of our Company
“Prosperous TW”	Prosperous Enterprises (Taiwan) Limited* (其利國貿股份有限公司) (formerly known as Prosperous Corporations Limited* (其利企業有限公司)), a company established in Taiwan with limited liability on 16 September 1970 and a wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“RGL”	RGL International Macao Commercial Offshore Limited (富一國際澳門離岸商業服務有限公司) (formerly known as Top Cover Industries (Macao Commercial Offshore) Limited (藝峻實業(澳門離岸商業服務)有限公司)), a company established in Macau with limited liability on 8 August 2002 and an indirect wholly-owned subsidiary of our Company
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sanctioned Jurisdictions”	jurisdictions that were subjected to sanctions by the Australia, the E.U., the U.S. and the United Nations, from time to time, and for the purpose of this prospectus, namely, Egypt, Lebanon, Tunisia, Russia, Ukraine and Venezuela
“Sanctions Law Legal Advisers”	Morgan, Lewis & Bockius LLP, our legal advisers as to the sanctions law of E.U., the U.S. and the United Nations and Moulis Legal, our legal advisers as to the sanctions law of Australia, as the case may be
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 June 2018, the principal terms of which are summarised under the paragraph headed “Statutory and General Information – E. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator” or “Sole Bookrunner” or “Stabilising Manager”	Huajin Securities (International) Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activities for the purpose of the SFO
“Sole Sponsor”	WAG Worldsec Corporate Finance Limited, a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
“sq.m.” or “m <sup>2</sup> ”	square metre(s)
“Starite BVI”	Starite Holdings Limited, a company established in the BVI with limited liability on 25 September 1995 and a wholly-owned subsidiary of our Company
“Starite Cambodia”	Starite (Cambodia) Co., Ltd, a company established in Cambodia with limited liability on 7 November 2017
“Starite Cambodia BVI”	Starite Cambodia Holdings Limited, a company incorporated in the BVI with limited liability on 29 August 2017
“Starite HK”	Starite International Limited (祺高國際有限公司), a company established in Hong Kong with limited liability on 23 December 1992 and a wholly-owned subsidiary of our Company
“Starite Vietnam”	Starite International Vietnam Limited, a company established in Vietnam with limited liability on 2 January 2008 and an indirect wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sun Prime BVI”	Sun Prime Enterprises Limited (日揚企業有限公司), a company established in BVI with limited liability on 28 October 2014 and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Taiwan”	Republic of China
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2015, FY2016 and FY2017
“TSE”	the Taiwan Stock Exchange of the Taiwan Stock Exchange Corporation
“U.N.”	the United Nations
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United Team HK”	United Team Development Limited (聯協發展有限公司), a company established in Hong Kong with limited liability on 18 November 2013 and an indirect wholly-owned subsidiary of our Company
“U.S.”, “US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”, “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“Vietnam”	the Socialist Republic of Vietnam
“Vietnam Legal Advisers”	Vision & Associates Legal, a qualified Vietnam law firm as the Vietnam legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
“Vietnam Production Base”	our production base located at Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam*
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“Wealthcorp”	Wealthcorp Enterprises Limited, a company established in the BVI with limited liability on 3 July 2007 and a wholly-owned subsidiary of our Company
“Winsum”	Winsum International Limited, a company established in the BVI with limited liability on 20 July 2007 and a wholly-owned subsidiary of our Company
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name

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## DEFINITIONS

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“YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Yeung Family”	Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Tony Yeung, Mr. Theodore Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited (裕元工業(集團)有限公司*), a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 551)
“Xinfeng”	Zerong (Xinfeng) Travelware Co., Ltd.* (澤榮(信豐)旅行用品有限公司), a company established in the PRC as a wholly foreign-owned enterprise on 8 April 2010 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

*Unless expressly stated or the context requires otherwise, amounts and percentage figures, including share ownership and operating data in this prospectus may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.*

*In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

*English translation of company names in Chinese or another language or Chinese translation of company names in English which are marked with “\*” are for identification purpose only.*



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## GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	compound annual growth rate
“entry-level luxury”	a brand that ranks just above the premium product segment and at the lowest luxury level in the luxury product segment
“ERP system”	enterprise resource planning system
“ex-factory”	a sale term where the title to goods passes to the buyer when they leave the vendor’s factory and consequently at that point the liability for loss or damage and the expenses of shipment also pass from vendor to buyer
“ex-factory price”	the selling cost of goods from the vendor’s factory
“fashion & casual bags and packs”	bags and packs that are primarily for daily use, including school bags and packs and bags and packs for leisure purposes
“FOB”	free on board, a trade term that indicates whether the seller or the buyer has liability for goods that are damaged or destroyed during shipment between the two parties. “FOB shipping point” or “FOB origin” means that the buyer is at risk while the goods are shipped, and “FOB destination” states that the seller retains the risk of loss until the goods reach the buyer
“functional bags and packs”	bags and packs that are usually used for more professional and specific functional purposes such as camera bags and packs
“lean manufacturing”	a systematic method for eliminating or minimising waste in design, manufacturing, distribution and customer service processes
“ODM”	original design manufacturing or original design manufacturer (as the case may be), a term used to refer to arrangements under which products are designed and manufactured for a customer that is a retailer and the said products will be sold to consumers by the said customer
“OEM”	original equipment manufacturing or original equipment manufacturer (as the case may be), a term used to refer to arrangements under which products are manufactured in whole or in part in accordance with the customer’s specifications and are marketed under the customer’s own brand names. A manufacturer that manufactures products under such arrangements is an original equipment manufacturer
“outdoor & sporting bags and packs”	bags and packs that are widely used for outdoor sporting activities, including daypacks and overnight bags and packs that are designed with larger volumes to meet the requirements of a short trip, tote bags and duffel bags

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## GLOSSARY OF TECHNICAL TERMS

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“PDM”	product development manufacturer, a business model adopted by our Group that focuses on product development. For more details, please refer to “Business – Our Competitive Strengths – In-depth knowhow in the manufacture of bags and packs and strong product development capabilities” and “Business – Business Model and Business Process” in this prospectus
“PU”	polyurethane, which is typically called synthetic leather or imitation leather, coming in a thin form as an alternative to lamb or goat skin and generally more eco-friendly, lighter in weight, water-resistant and stronger in composition, which makes polyurethane an alternative to PVC as a reinforcement material to strengthen and enhance the appearance of bags
“PVC”	polyvinyl chloride
“recreational bags and packs”	<p>all kinds of bags and packs (such as backpacks, tote bags, duffel bags, sackpacks, waistpacks, camera packs, gun packs etc.) excluding business bags and packs that are used by business persons in workplaces, but including:</p> <ul style="list-style-type: none"><li>(i) fashion &amp; casual bags and packs;</li><li>(ii) outdoor &amp; sporting bags and packs;</li><li>(iii) functional bags and packs; and</li><li>(iv) other bags and packs which do not belong to business bags and packs and any bags and packs in categories (i) to (iii) above</li></ul>
“RoW”	rest of the world, applies as where the case may be
“SCM”	supply chain management. According to the CIC Report, SCM services includes, among others, (i) product design and development, (ii) raw material development, sourcing and/or procurement, (iii) prototyping and product optimisation, (iv) production management, (v) quality control, (vi) optimisation of the arrangement of logistics, international freights and shipments, and (vii) management of distribution channels

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## FORWARD-LOOKING STATEMENTS

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

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the global bags and packs manufacturing and SCM industry.

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

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in the PRC and overseas;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in “Risk Factors” in this prospectus.

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## RISK FACTORS

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*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, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **If the preferential policies and import duty treatments we currently enjoy become unavailable, terminated or amended, it could adversely affect our business and profitability**

As at the Latest Practicable Date, we have established three production bases in the PRC, one production base in Vietnam and one production base in Cambodia that was recently put into operation in February 2018. In FY2015, FY2016 and FY2017, shipments of our products to destinations in North America, primarily the U.S., accounted for 52.3%, 53.3% and 48.3% respectively of our revenue, those to Europe accounted for 15.8%, 15.4% and 17.4% respectively of our revenue, and those to Japan accounted for 5.3%, 7.0% and 6.0% respectively of our revenue.

Vietnam enjoys substantial duty reductions for shipments of products to member states of the E.U. under E.U.'s Generalised Scheme of Preferences Program, as well as preferential tariff treatment for shipments of products to Japan pursuant to the Economic Partnership Agreements (EPA). Moreover, following the adoption of the Generalised System of Preferences Programme by the U.S. and Japan respectively and the "Everything But Arms" scheme by the E.U., Cambodia enjoys duty-free exports, quota-free exports and/or preferential tariff treatment of certain goods including bags and packs to the U.S., Japan and member states of the E.U..

In the event that there is any alteration to or non-renewal of any of the preferential policies and import duty treatments that we currently enjoy and those that we expect to benefit from, our future profitability from sales to overseas countries may be adversely affected.

#### **Adverse changes in the North American market may affect our revenue and profit**

The North American market is the largest market for our products. For FY2015, FY2016 and FY2017, sales of our products to the North American destinations amounted to US\$117.9 million, US\$117.5 million and US\$124.9 million respectively, which accounted for 52.3%, 53.3% and 48.3% of our total revenue for the same periods respectively. If the demand for our products from the North American market drops as a result of any economic and political uncertainties, our Group's business and profit will be adversely affected.

#### **We rely on our major customers and this may expose us to risks relating to fluctuations or decline in our revenue**

Our sales to our five largest customers during the Track Record Period amounted to US\$149.6 million, US\$153.8 million and US\$188.5 million, which accounted for 66.4%, 69.9%, and 72.9% of our total revenue for FY2015, FY2016 and FY2017 respectively. Sales to our largest customer for FY2015, FY2016 and FY2017 amounted to US\$45.6 million, US\$55.7 million and US\$70.3 million respectively, representing 20.2%, 25.3%, and 27.2% of our total revenue respectively.

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## RISK FACTORS

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Given that our Group is not the exclusive supplier to our five largest customers, there is no assurance that our business relationship with our major customers will continue in the future. In the event that any of our major customers significantly reduce their orders placed with us or our business relationship with them terminates, we may not be able to maintain the same sales volume with the remaining customers or attract new customers with the ability or willingness to contribute the same amount to our sales as our major customers have been contributing, which may adversely affect our business and profitability.

There are a number of factors, other than our performance, that could cause the loss of one or more of our major customers, or a substantial reduction in purchase orders from one of these customers, including the financial and operational success of our customers and acceptance of their products and brands by consumers, among others. The loss of any one of these customers, a decrease in the volume of sales to any of these customers or a decrease in the margins at which we sell our products to any of these customers could adversely affect our growth and profitability. Accordingly, the future success of our business will significantly depend upon the timing and volume of the purchase orders we receive from these customers.

### **Our success depends on our customers' ability to successfully sell their products sourced from us, the demand for which is volatile**

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

Our results of operations are directly affected by the success of our customers in their businesses. A majority of our customers are brand owners, and our sales depend on the popularity and market acceptance of the products of our customers who are brand owners, which in turn depends on the strength and reputation of their brand, and marketing and promotional activities undertaken by these brand owners. Our brand owner customers may not be able to market and sell their products successfully or maintain their competitiveness due to a lack of market acceptance or otherwise. Under those circumstances, our customers may not order new products or decrease the quantity or purchase price of their orders, which could adversely affect our results of operations and revenue from such customers. Accordingly, our success depends on our customers' ability to successfully sell their products that are sourced from us.

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

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## RISK FACTORS

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

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

The two production plants of our Cambodia Production Base are expected to be fully set up by 2022. For details, please refer to the section headed “Business – Our Strategies – Further enhance our manufacturing capacity and flexibility by expanding our manufacturing platform in Cambodia”. However, we cannot assure you that the first and second phases of development of our Cambodia Production Base will be completed on time, or at all. If we are unable to obtain government approvals for any reason, or if we encounter unforeseen difficulties in the course of the expansion and construction, the progress may be significantly delayed and we may not be able to complete the new factory on time. In that event, our business, prospects and growth strategies would be materially and adversely affected.

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

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

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

Our manufacturing operations are labour intensive and our performance during the Track Record Period relied on the steady supply of relatively low cost labour in Vietnam and the PRC. Our labour costs accounted for 23.9%, 24.4% and 22.7% of our total cost of sales for FY2015, FY2016 and FY2017 respectively. As a result, our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. If we face labour shortages or significant increases in labour costs because of increasing competition for employees, higher employee turnover rates, increase in wages or increase in other employee benefits costs, our operating expenses could increase and our growth could be materially and adversely affected.

Labour costs are basically affected by the demand for and supply of labour and economic factors including the inflation rate and standard of living. Labour costs may further increase in the future due to a shortage of skilled labour and growing industry demands for skilled workers. If we fail to retain our existing labour or maintain sufficient labour, we may not be able to accommodate sudden increases in demand for our products or

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our expansion plans. Moreover, the failure to identify and recruit replacement staff immediately following the unexpected loss of skilled workers could reduce our competitiveness and have a material and adverse effect on our business and operations.

In addition, we expect continued increases in labour costs in the PRC as well as the minimum wage requirements in Vietnam and other markets where we currently operate. Although we pay our employees more than the minimum wage requirements in Vietnam, any further increase in minimum wage requirements may increase competition for qualified labour, which may indirectly result in further increases to our labour costs. In these circumstances, we may not be able to increase the prices of our products to customers and if we fail to pass all or part of these increased labour costs on to our customers, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

As at the Latest Practicable Date, we operate five production bases with six manufacturing facilities and a total of 200 production lines and over 9,700 personnel. Our ability to meet the demand of our customers and grow our business depends on the efficient, proper and uninterrupted operation of our manufacturing facilities. Power failures or disruptions, breakdown, failure or sub-standard performance of equipment, the destruction of buildings and other facilities due to fire or natural disasters, such as severe weather, floods, droughts or earthquakes, among other things, could significantly affect our ability to operate our facilities efficiently and meet the needs of our customers. If as a result of events such as these incidents, deliveries to our customers are delayed or we are not otherwise able to fulfil our obligations to our customers, we may need to lower the selling price of our products, which would adversely affect our profitability. Our failure to meet our customers' demand could also adversely affect our ongoing relationship with them and their decision to purchase products from us in the future. Since we do not currently carry business interruption insurance, we would have to bear any resulting losses ourselves, which could have a material adverse effect on our business, financial conditions and results of operations.

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

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

We generally negotiate and establish raw material costs with our customers as part of the estimated per unit price of a product prior to receiving their purchase orders and, consequently, we have historically been able to pass any increases in raw material prices on to our customers. However, we are not the exclusive supplier to our major customers. Consequently, if our production costs, such as raw materials costs, labour costs and other manufacturing overheads, increases significantly after the sale order is confirmed, we may not be able to pass such increased costs onto our customers particularly if our competitors are able to better manage their costs and achieve a pricing advantage. To the extent we fail to manage our costs in response to increasing costs, our margins and our cost competitiveness will be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.



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### **Our manufacturing operations are subject to extensive environmental, safety and health regulations which may increase our costs or restrict our operations**

Our manufacturing operations are subject to extensive environmental, safety and health regulations. Our failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings, or restriction or suspension of production, or close of enterprises, and our major customers terminating their existing relationships with us. In addition, our efforts to comply with these regulations may result in us having to suspend or delay production and delivery of our products, which could result in loss of customers, having to cancel orders or incurring additional costs. Moreover, the environmental, safety and health laws and regulations in the PRC, Vietnam and Cambodia are constantly evolving. Our failure to comply with current and future applicable environmental, safety or health regulations as well as the consequences of our failure to comply with such regulations could materially and adversely affect our manufacturing operations.

### **Our manufacturing operations are also subject to social responsibility standards of our customers which may increase our costs or restrict our operations**

Multinational brands and retailers are facing increasing pressure to ensure that labour practices and factory conditions in relation to the products that they sell meet certain social responsibility standards, including in relation to safety, health, environment, human rights and anti-terrorism. Accordingly, many multinational brands and retailers, including a number of our customers, require their suppliers to fulfil their production manuals and codes of conduct prescribing requirements in respect of areas including occupational health and safety, legal compliance and environmental protection. For more details, please refer to “Business – Health, Work Safety, Social and Environmental Matters”. Should we fail to comply with such codes of conduct and production manuals of our customers, our customers may decide not to purchase our products and our business could be materially and adversely affected. New customer guidelines and requirements on occupational health and safety and environmental requirements could also require us to incur significant compliance expenses.

### **We rely on our information management systems and are subject to risks associated with system interruptions and failures**

We rely on our information management systems to track the raw materials and components that are supplied to us and the products that we ship to our customers, monitor the efficiency of our workers and allocate work across our production lines. This enables us to monitor the daily operation of our business, compile, store and transmit data on supply and production within our Group and for our customers, and maintain up-to-date operating and financial data for the compilation of management accounts. Any damage or system failure that causes interruptions or delays in the input, retrieval or transmission of data could disrupt our normal operations and possibly interfere with our ability to deliver products to our customers. Should such an interruption or delay occur, we cannot assure you that it will not result in the loss of data or information that is important to our business or that we will be able to restore our operational capacity within a sufficiently adequate time frame to avoid disruptions to our business.

In addition, we may not be able to upgrade our information management system in a manner that is sufficient to meet the needs of our evolving business and operations. The occurrence of any of these events could interfere with the operation of our business and adversely affect our business, financial condition and results of operations.

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

A substantial portion of our revenue is generated from overseas markets as we mainly export our products to overseas destinations (being destinations excluding Mainland China and Hong Kong), which accounted for 81.8%, 86.0% and 81.1% of our sales for FY2015, FY2016 and FY2017 respectively.

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

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

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

**Our products exported from our PRC production bases to the U.S. may be subject to high tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations**

A recent trade war has been initiated between the U.S. and the PRC, and trade flows for certain products exported from the PRC to the U.S. were impacted. For instance, the export of machinery, vehicles, aircraft, vessels, electrical equipment, technological goods and chemicals, among other goods, from the PRC to the U.S. were subject to a new tariff of 25%.

For FY2015, FY2016 and FY2017, sales of our products with the U.S. as the destination for delivery amounted to US\$109.8 million, US\$108.6 million and US\$115.4 million respectively, which accounted for 48.7%, 49.2% and 44.6% of our total revenue for the same periods respectively, and production volumes of our PRC production bases contributed to 64.9%, 63.1% and 56.3% of our total production volumes for the same periods respectively. Though the U.S. had not announced any trade policies that may directly impact the bags and packs product category under the trade war as at the Latest Practicable Date, we cannot accurately predict whether any anti-dumping duties, tariffs or quota fees will be imposed on our products by the U.S. in the future. Any trade restrictions imposed by the U.S. on bags and packs could significantly increase our customers' purchase costs of our products manufactured at our PRC production bases, and our customers may require us to manufacture products at our Vietnam or Cambodia production bases instead of our PRC production bases for delivery to the U.S. in order to avoid cost increases resulting from any trade restrictions imposed by the U.S.. If the production capacities of our Vietnam and Cambodia production bases were insufficient to cover the production capacities of our PRC production bases and to fulfil the demand of such customers, our sales volumes, profitability and results of operations could be adversely affected.

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### **Fluctuations in exchange rates could result in foreign currency exchange losses**

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

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

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

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

We rely on the expertise, experience and customer relationships of our executive Directors including Mr. Herman Yeung and Mr. Philip Yeung and our senior management members including our chief executive officer, Mr. Edmond Yeung and our chief operating officer, Mr. Theodore Yeung. If one or more of our executive Directors or any of our senior executives or key employees are unable or unwilling to continue their present positions, we may not be able to replace them easily or at all and our business may be severely disrupted, our business, financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain our personnel.

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

### **Our development and manufacturing capabilities may not be able to keep pace with our customers' demands**

We generate most of our revenue from the development and manufacture of recreational bags and packs for multinational brand owners worldwide. Our future growth and success will depend significantly on our ability to adapt quickly to developments in the markets in which the products we manufacture are sold. In particular, our success will depend on our ability to adapt our products to changes in product demands from our multinational brand customers that result from fast changing consumer preferences and fashion trends, changes in consumer spending patterns and increased consumer demands for innovative and complex designs, each of which may require us to change or upgrade our manufacturing techniques and capabilities, resulting in additional expenditures. Our failure to adapt to these changes could result in a loss of competitive advantage, for example in the form of knowhow of current manufacturing techniques, and market share, which could have a material adverse impact on our business, financial conditions and results of operations.

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

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

### **We may be subject to liability in connection with industrial accidents at our manufacturing facilities**

Due to the nature of our operations, we are subject to the risks of our employees being exposed to industrial-related accidents. We cannot assure that industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facilities. Under such circumstances, our business and financial performance will be adversely affected. In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable local laws and regulations. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures due to accidents. Any of the foregoing could adversely affect our business, financial condition and results of operations.

### **Fluctuations in prices of raw materials or unstable supply of raw materials could negatively impact our operations and may adversely affect our profitability**

Like other bags and packs manufacturers, we are subject to the price fluctuation in raw materials used in our manufacturing process. Our cost of materials accounted for approximately 56.4%, 53.8% and 54.9% of our cost of sales for FY2015, FY2016 and FY2017 respectively. Our primary raw materials include synthetic leather made with thermoplastic polyurethane (TPU), nylon, PU, knitted ropes, polyester and metallic components such as zippers, clamps and buckles. If the supply of raw materials is substantially interrupted or reduced or if there are significant increases in the prices we pay for our raw materials or if there are unfavorable fluctuations in the quality of these raw materials, we may incur additional costs to acquire significant quantities of these raw materials to maintain our production schedules and commitment to our customers. In addition, if we cannot identify alternative sources of raw materials when needed, or obtain sufficient raw materials when required, the resulting loss of production volume could adversely impact our ability to deliver products to our customers in a timely manner, which could harm our reputation, business, financial condition and results of operations.

### **Delay in the delivery of raw materials or defect in the raw material supplied to us may materially and adversely affect our business operations**

Supplies of raw materials are subject to a variety of factors that are beyond our control, including interruptions in the supplier's business operations, global market supply and demand, industry conditions etc. whereas the quality of raw materials is dependent on the supplier's production capabilities, production facilities and quality control systems. Our ability to complete a purchase order on time for our customers is dependent on the timely delivery and the quality of raw materials. There is no assurance that our suppliers will be able to supply and deliver the required raw materials to us in a timely manner or that the raw materials they supply to us will not be defective or substandard. Any delay in the delivery of raw materials or any defect in the raw

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materials supplied to us may materially and adversely affect or delay our production schedule. In such circumstances, we may lose customer's loyalty and confidence. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

### **We are dependent on our subcontractors to implement certain contracts**

We subcontract the manufacturing of part of our production process to subcontractors from time to time. As we do not sign any long-term contracts with our subcontractors, there is no assurance that they will be able to continue to provide services to our Group at prices acceptable to our Group or our Group can maintain our relationship with them in the future. In the event that any of the major subcontractors are unable to provide the required services to our Group and we are unable to obtain alternative providers on similar or more favourable terms to us, or the costs for them to provide those required services increase substantially, our business, results of operations, profitability and liquidity may be adversely affected.

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

### **We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity**

Our scale of operations and business model require us to manage a large volume of inventory effectively. As at 31 December 2015, 2016 and 2017, our inventory amounted to US\$31.7 million, US\$32.4 million and US\$33.1 million, respectively, which accounted for 26.5%, 25.2% and 21.3% of our total current assets, respectively. For FY2015, FY2016 and FY2017, our average turnover days of inventories were 65 days, 71 days and 61 days, respectively.

We are required to estimate the amount of raw materials required in our production. In the event that we over-estimate the amount of raw material required in the production and we fail to timely use or utilise the raw materials we purchased, we may face the risk of obsolete inventories. In addition, the demand for our proprietary branded products is subject to rapid change in fashion trends and consumer preference. If we fail to anticipate, identify or respond to the change in consumers' demand for our proprietary branded products in a timely manner, we may experience the risk of slow-moving inventories. Significant obsolete or slow-moving inventories are required to be assessed and may be required to be written-off or written-down according to our accounting policies. When a material write-down or write-off of inventories is required, our financial position and results of operations may be materially and adversely affected.

### **Our existing insurance coverage may not be sufficient to cover the risks related to our operations and we may incur significant losses resulting from product liability claims or business interruptions**

We are exposed to risks associated with product liability claims if the use of our bags and packs results in damage or injury. We carry a product liability insurance but we cannot assure you that product liability claims against us will not arise in the future, whether due to product defects or other causes, which may or may not exceed our insurance coverage. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful,

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could cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims were ultimately successful and exceed our insurance coverage, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

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

### **Our industry is highly competitive**

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

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

### **We are subject to credit risk**

During the Track Record Period, our sales were generally made with credit period ranging from 15 to 105 days. For each of FY2015, FY2016 and FY2017, the average trade receivables turnover days were 60 days, 69 days and 63 days, respectively. We may be forced to assume greater amounts of credit risk in the future as a result of the competitive conditions under which we operate and the continuing changes in the global economic and financial environment, which may limit our customers' access to credit in the future. This may be amplified due to the large amount of sales to our major customers, the largest of which represented 20.2%, 25.3% and 27.2% of our revenue for FY2015, FY2016 and FY2017 respectively, while for these same periods our five largest customers represented 66.4%, 69.9% and 72.9% respectively of our revenue. As at 31 December 2015,



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2016 and 2017, our balance of trade and bills receivables was US\$38.2 million, US\$44.6 million and US\$44.4 million, respectively. If we are forced to assume greater amounts of credit risk and we encounter problems or delays in collecting amounts due from our customers, our liquidity could be negatively affected.

### **Our liquidity may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers**

To remain competitive in the market, our Group needs to retain high level of working capital to guarantee smooth business operation and support any growth in demand for our products. The credit period offered by us to our major customers, which are mostly large-scale global brand owners is generally longer than the credit period offered to us by our suppliers. During the Track Record Period, the credit terms offered by our suppliers to our Group range from approximately 45 to 60 days following the end of each month in which our Group placed orders with them, while we generally granted our customers with a credit period ranging from 15 to 105 days from the date of our invoices issued to them, thereby resulting in a cash flow mismatch.

As at 31 December 2015, 2016 and 2017, we recorded trade receivables of approximately US\$38.2 million, US\$44.6 million and US\$44.4 million, respectively, and our average trade receivables turnover days were 60 days, 69 days and 63 days for FY2015, FY2016 and FY2017, respectively. On the other hand, as at 31 December 2015, 2016 and 2017, our trade payables amounted to approximately US\$20.6 million, US\$22.9 million and US\$23.3 million, respectively and our average trade payables turnover days were 45 days, 48 days and 43 days for FY2015, FY2016 and FY2017, respectively. If our Group's revenue continues to grow, the mismatch between our trade receivables turnover days and trade payables turnover days may put us at liquidity risk.

In addition, we rely to a certain extent on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow depends on prompt settlement by our customers. Even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. Furthermore, there is no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected and we might have to raise funds by resorting to internal financial resources and/or banking facilities in order to meet our payment obligations in full and on time.

### **We may face difficulties in maintaining our existing customer base and developing new customers**

The success of our business depends on our ability to maintain and expand the volume of businesses with our existing customers and to source and develop new customers.

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

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

Our operations and performance may be adversely impacted by a deterioration of global economic conditions in the markets in which the products we manufacture are sold. The current global economic environment continues to be uncertain, and may make it difficult for our customers to accurately plan future business activities and could cause our customers to terminate their relationships with us or could cause



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consumers to reduce their spending on our customers' products. Furthermore, during challenging economic times, our customers may face issues of gaining timely access to sufficient credit, which could reduce the number of purchase orders they place with us. We cannot predict the timing, magnitude or duration of any current or future economic slowdown or subsequent economic recovery, globally, in the U.S., Europe or in other regions. These and other economic factors could have a material adverse effect on our business, financial condition and operating results.

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

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

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

### **Our sales may be affected by seasonality**

Our sales performance is historically stronger during the period from April to June driven primarily by higher demand from our customers towards their products launch before the commencement of academic year in September. We may be exposed to risks associated with such seasonal factors and fluctuations in demand for our products. Should there be any adverse change of market condition during our peak seasons, our sales performance and profitability may be adversely affected.

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

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

During the Track Record Period, we have only made social insurance payments and housing provident fund contribution for some of our PRC employees, and did not make contributions in full for the social insurance fund and housing provident fund for our employees as required under the relevant PRC laws and regulations. Provisions for our under-contribution, which were payable as at 31 December 2015, 2016 and 2017, in the amount of approximately RMB33.9 million (equivalent to approximately US\$5.2 million), RMB27.7 million (equivalent to approximately US\$4.3 million) and RMB22.7 million (equivalent to approximately US\$3.5

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million) respectively (in respect of social insurance payments) and approximately RMB15.8 million (equivalent to approximately US\$2.4 million), RMB15.1 million (equivalent to approximately US\$2.3 million) and RMB13.2 million (equivalent to approximately US\$2.0 million) respectively (in respect of housing provident fund contributions) have been made. As at the Latest Practicable Date, we have not received any order or notice from the local authorities nor any claims or complaints from our current and former employees regarding our non-compliance in this regard. For details, please refer to the section headed “Business — Legal Proceedings and Compliance” in this prospectus. We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding social insurance payment or housing provident fund contributions against us, or that we will not receive any claims in respect of social insurance payment or housing provident fund contributions under the PRC laws and regulation. In addition, we may incur additional costs to comply with such laws and regulations by the PRC Government or relevant local authorities. Any such development could materially and adversely affect our business, financial condition and results of operations.

### **Our business, financial condition and results of operations could become materially and adversely affected by sanctions on the Sanctioned Jurisdictions by Australia, the E.U., the U.N. or the U.S.**

The U.S. and certain other jurisdictions, including the Australia, the E.U. and the United Nations maintain economic sanctions against certain countries, individuals and legal entities. These sanctions vary in scope and prohibit the export of certain items to Sanctioned Jurisdictions, such as Egypt, Lebanon, Tunisia, Russia, Ukraine and Venezuela. Our Sanctions Law Legal Advisers have conducted review of our transactions relating to the Sanctioned Jurisdictions and are of the view that our activities relating to the Sanctioned Jurisdictions during the Track Record Period did not in any instance fall within the scope of prohibited activities under the sanctions maintained by the U.S., Australia, the E.U. or the U.N. against the Sanctions Jurisdictions and did not cause us to breach any sanctions programs maintain by the U.S., Australia, the E.U. or the U.N. that apply against any Sanctioned Jurisdictions.

As our customers may continue to request us to deliver our products to the Sanctioned Jurisdictions, and given, that economic sanctions laws or regulations of the U.S., Australia, the E.U. or U.N. could change in a way that could affect our business and operations in the Sanctioned Jurisdictions, and/or result in restrictions, penalties and fines. It is possible that our business, financial condition and results of operations may be materially and adversely affected by future developments.

Accordingly, our Sanctions Law Legal Advisers cannot provide us any assurance that our sanctions risk exposure will remain unchanged. Specifically, our Sanctions Law Legal Advisers are unable to provide any assurance that the economic sanctions laws or regulations will not change in a way that could negatively affect our activities relating to Sanctioned Jurisdictions or cause us to incur sanctions risk that could expose us to potential penalties or fines.

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

#### **Adverse changes in economic, political and legal environment of Vietnam could have a material adverse effect on our business, financial condition, results of operation and prospects**

We have established a subsidiary, Starite Vietnam, in January 2008 and set up our Vietnam Production Base in the same year with a view to, among others, expand our production capacity. As a result, we are subject to political, economic, legal and regulatory risks specific to Vietnam.

Vietnam’s economy differs from the economies of many countries in aspects such as government involvement, level of development, growth rate, allocation of resources and inflation rate. Prior to the 1990s, Vietnam’s economy was largely a planned economy. Since about 1987, increasing emphasis has been placed on

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## RISK FACTORS

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the utilisation of market forces in the development of the economy. Annual and five-year state plans are adopted by the Vietnamese government in connection with the development of the economy. The Vietnamese government in general is reducing the level of direct control that it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

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

Although the Vietnamese government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome of these experiments. Furthermore, there can be no assurance that the Vietnamese government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes adversely affect us or our business, or we are unable to capitalise on the economic reform measures of the Vietnamese government, our business, financial condition and results of operations could be adversely affected.

### **Uncertainties with respect to the Vietnamese legal system could have a material adverse effect on us**

We have business and operations conducted in Vietnam which are governed by Vietnamese laws, rules and regulations. As Vietnam is a developing nation in the process of integrating into regional and international economies, Vietnamese laws and tax and other regulations are subject to frequent amendments and supplements to facilitate Vietnam's fast-growing economy.

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

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result in inconsistent interpretation and application of tax regulations amongst the Vietnamese tax authorities in different locations in practice, as well as between Vietnamese tax authorities and taxpayers (including our Group).

**The change of the foreign exchange regulations of Vietnam can materially affect our financial conditions and results of operations**

VND, the lawful currency in Vietnam, is not freely convertible to other currencies, except under certain circumstances. Under the foreign currency exchange regulations of Vietnam, foreign-invested enterprises are permitted to repatriate profits from business operations in Vietnam through various means. The Vietnamese government has relaxed the regulations in respect of foreign exchange to allow foreign-invested enterprises to convert VND into foreign currencies through authorised foreign exchange bodies. There can be no assurance, however, that the Vietnamese government will continue to relax its foreign exchange regulations, that it will maintain the same foreign exchange policy or that there will be sufficient foreign currency, particularly U.S. dollars, available in the market for currency conversions. If, in the future, government regulations restrict our Group's ability to convert VND or there is insufficient foreign currency available in the market, our Group may be unable to meet its foreign currency payment obligations, including those incurred in the course of the operation of our Vietnam Production Base.

The value of VND has fluctuated in the past and is subject to changes in the Vietnamese government's political and economic policies. The Vietnamese government has taken a liberal approach to foreign exchange management in that the State Bank of Vietnam influences the exchange rate primarily through the financial markets and monetary policies subject to parameters set by the State Bank of Vietnam. However, there can be no assurance that the government will continue to pursue a liberal management policy in respect of foreign exchange. If it does not do so, our financing costs may increase and our financial condition and results of operations may be adversely affected by changes in the value of the VND.

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

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

**We require various approvals, licences and permits to operate our business and any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations**

We are subject to various laws and regulations in jurisdictions in which we operate. In accordance with the laws and regulations of Vietnam, we are required to maintain various approvals, licences and permits in order to operate our production facilities in Vietnam. We are required to obtain certificates of incorporation (enterprise registration certificate, investment registration certificate, and/or investment certificate) and land and building titles and licences in relation to environmental issues. Most of these licences are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

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Compliance with the relevant laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to remedy any deficiencies. We may also experience adverse publicity arising from such non-compliance with any laws and regulations that negatively impact our reputation.

We may experience difficulties or failures in obtaining the necessary approvals, licences and permits for our new production facilities in the future. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licences and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain or maintain all licences required by us to operate our business, our production activities at our Vietnam Production Base and our ongoing business in Vietnam could be interrupted. We may also be subject to fines and penalties.

### **Foreign investors may find it difficult to enforce foreign judgments obtained against our properties or our Directors or members of our senior management in Vietnam**

Pursuant to the Civil Proceedings Code, Vietnamese courts may consider the recognition of civil judgments issued by the courts of a country, subject to certain restrictions, with which it has signed a relevant bilateral treaty with or on the basis of reciprocity. Countries with which such bilateral treaties have been entered into include Algeria, Belarus, Bulgaria, China, Cuba, France, Hungary, Laos, Mongolia, North Korea, Poland, Russia, Taiwan and Ukraine. Should the foreign judgment be with a country that has not entered into such agreements or reciprocity, enforcement will only be possible via a Vietnamese judgment.

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

### **We are exposed to economic, political and regulatory conditions and risks in Taiwan**

We have established a subsidiary, Prosperous TW, since September 1970 and our business operations and prospects are subject to political, economic, legal and regulatory risks specific to Taiwan.

The Taiwan economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, allocation of resources, inflation rate and trade balance position. We cannot predict whether changes in the political, economic and social conditions in Taiwan or changes in the laws, regulations and policies promulgated by the Taiwan government will have any adverse effect on our current or future business and financial conditions and results of operations.

Moreover, our business, operations and financial conditions may be affected by changes in the governmental policies as well as diplomatic and social developments both of Taiwan and the PRC. Although the cross-strait economic ties and cultural influences continue to strengthen in recent years, Taiwan's unique political status fuel tensions between the island and mainland. Taiwan's internal political movements may also affect Taiwan's cross-strait policies and legislations. Past developments related to the interaction between Taiwan and the PRC have on occasion depressed the transaction activities and business operations of Taiwanese companies and overall economic environment.

In respect of the relationship between Taiwan and the PRC, the current President of Taiwan and the political party which she belongs to, the Democratic Progressive Party, had stressed on the intention to maintain the status quo with the PRC after Taiwan's Presidential Election and the General Election for the Legislative Yuan on 16 January 2016. Immediately after the foregoing elections, Chinese Cabinet's body for handling Taiwan affairs reaffirmed its opposition to Taiwan independence, but it also expressed that it would work to maintain peace and stability between the two sides of the Taiwan Strait. However, we cannot assure that any

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contentious situations between Taiwan and the PRC will resolve in maintaining the current status quo or remain peaceful. Relations between Taiwan and the PRC and other factors affecting military, political or economic stability in Taiwan could have a material adverse effect on our business operation.

### **Payment of dividends is subject to restrictions under the Taiwan law**

Under Taiwan laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under the generally accepted accounting principles in Taiwan, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been unprofitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

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

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

Our Cambodia Expansion Plan is subject to laws, rules and regulations promulgated by the Cambodian Parliament or the Cambodian Government. The laws in Cambodia and its legal system are still in a developmental stage and are subject to change. In addition, business entry and business operations in Cambodia involve bureaucratic and legal procedures, which may change from time to time without sufficient consultation with the public or notice. This may imply that there is a lack of consistency and predictability in the interpretation and enforcement of laws and regulations and dispute resolution. Cambodia's investment laws and regulations may be further reviewed or may be subject to interpretations that differ from the existing practice. Accordingly, conducting business in Cambodia entails a certain degree of risk and uncertainty, and our Cambodia Expansion Plan may be affected if material changes are made to these laws and the accompanying investment incentive framework. In the event that new laws are imposed, new policies are adopted or existing laws, rules, regulations or policies are interpreted or enforced in a way which is adverse to our Cambodia Expansion Plan, our business and financial performance could be adversely affected.

#### **The leased land and plants comprising the first plant of our Cambodia Production Base is subject to a short-term lease**

The leased land and plants comprising the first plant of our Cambodia Production Base is subject to a short-term lease of eight years with an expiry date of 15 August 2025, although we have the right to renew the lease for an additional term of eight years. Furthermore, the leased land on which the first plant of our Cambodia Production Base is situated has been hypothecated by the lessor to a bank in Cambodia, and such hypothec has been registered before the commencement of our lease. In the event of the bank's enforcement of the hypothec, our Group as the lessee could be evicted. As a result, the first plant of our Cambodia Production Base may need to relocate, which may prove costly and disrupt our business operations and, in turn, have a material adverse effect on our financial position.

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



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

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

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

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

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

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

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

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

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

A part of our manufacturing operations is conducted in the PRC and approximately 32% of our employees are in the PRC as at 31 December 2017. Our business and operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970's, the PRC has been developing rapidly with many changes made to laws and regulations covering general economic matters or affecting our business and operations having been promulgated in the PRC. However, as the changes to these laws and regulations are relatively new, and due to the limited volume of published cases and clarification,



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interpretation of these laws, regulations and their changes involve uncertainties. In addition, the enforcement of laws may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The differences in judgment caused by regional differences may create additional uncertainty as to the expected outcomes of litigation. In addition, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political, economic and social changes.

### **We are subject to PRC government control in currency conversion**

RMB is not a freely convertible currency. The conversion of RMB into other currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. Our obligation to pay our overseas suppliers in foreign currencies and the requirement for us to pay dividends in a currency other than RMB to our Shareholders may expose us to foreign currency risk. Under the current foreign exchange control system, there is no assurance that we will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

### **The PRC laws and regulations in connection with investment and loans by offshore holding companies to the PRC entities may delay or prevent the Company from using the proceeds of the Global Offering to make additional capital contributions or loans to PRC members of our Group**

Any capital contributions or loans our Company or its offshore subsidiary, as an offshore entity, makes to the PRC members of the Group, including from the proceeds of the Global Offering, are subject to the PRC regulations. For example, the total of any offshore loans to the PRC members of the Group cannot exceed the difference between the registered capital and total investment of the relevant PRC member of the Group or twice the relevant PRC member's net assets, and such loans must be registered with SAFE or its authorised organisation or filed for record with the relevant information system of the SAFE. In addition, the Group's capital contributions to the PRC members of the Group must be filed for record with the competent authorities of the MOFCOM. The Group cannot assure that it will be able to complete these formalities on a timely basis, or at all. If the Group fails to complete these formalities, its ability to capitalise the relevant PRC members of the Group or fund their operations or to utilise the proceeds of the Global Offering in the manner described in "Future Plans and Use of Proceeds" may be adversely affected, which could adversely affect the liquidity of the relevant PRC member of the Group, the Group's ability to grow through its subsidiaries' operations and its financial condition and results of operations.

### **We may be deemed to be a "resident enterprise" for transfer of equity of overseas holding company and therefore any deemed gain so arisen may be subject to PRC enterprise income tax**

Under the Bulletin of the State Administration of Taxation on the PRC Tax Treatment of an Indirect Transfer of Assets by Non-Resident Enterprises ("Bulletin [2015] No. 7")(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)(公告[2015]第7號) issued by the State Administration of Taxation on 6 February 2015, indirect transfer of equities and other properties of a Chinese resident enterprise to evade obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose is subject to PRC enterprise income tax. There are uncertainties surrounding how the Bulletin shall be applied and interpreted. Even if our Company or our overseas subsidiaries are considered as non-PRC resident enterprises,

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we cannot provide any assurance that any direct or indirect transfer of our equity interests in the PRC members of our Group via our overseas holding companies in the future will not be subject to examinations by the PRC tax authorities and therefore will not be subject to a withholding tax of 10%.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained**

Prior to the Global Offering, no public market for the Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

#### **The trading price of the Shares may be volatile, which could result in substantial losses to you**

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of the Shares. In addition, the performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for the Shares. Recently, a number of companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong and consequently may impact the trading performance of the Shares. These broad market and industry factors may significantly affect the market price and volatility of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of the Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

#### **Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall when the trading of the Offer Shares begins**

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

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## RISK FACTORS

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### **The sale or availability for sale of substantial amounts of the Shares could adversely affect their trading price**

Sales of substantial amounts of the Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares.

The Shares owned by the Controlling Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

### **Because the Offer Price of the Shares is higher than our net tangible book value per Share, purchasers of the Shares in the Global Offering will experience immediate dilution**

If you purchase the Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of the Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and the existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of the Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriters), exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

### **The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong**

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Company Law and common law of 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 established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands law is set out in Appendix III to this prospectus.

### **You should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from official resources**

Facts, forecasts and other statistics in this prospectus relating to the economy and the industries on an international, regional and specific country basis have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we, the Sole Global Coordinator, the Sole Sponsor, the Underwriters nor any of our/their respective affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industrial data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

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## RISK FACTORS

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### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “estimate,” “believe,” “expect,” “may,” “plan,” “consider,” “ought to,” “should,” “would,” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of the Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing, which are subject to the announcement requirement.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waiver in relation to such requirements under Chapter 14A of the Listing Rules. See “Continuing Connected Transactions – Waiver” in this prospectus for details.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

### UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator (for itself on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Sole Global Coordinator. Please see "Underwriting – Underwriting arrangements and expenses" in this prospectus for further details of the Underwriter(s) and the underwriting arrangements.

### SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales 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. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

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

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the exercise of any options that were granted or may be granted under our Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

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

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance 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 date of commencement of dealings in our Shares on the Stock Exchange 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 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. All necessary arrangements have been made for our Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents or advisors or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or dealing in our Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company’s share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company’s principal share registrar in the Cayman Islands.

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



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

### OVER-ALLOTMENT OPTION AND STABILISATION

In connection with the Global Offering, Huajin Securities (International) Limited, its affiliates or any person acting for them, as stabilising manager (the “**Stabilising Manager**”), may effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for them, to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) no later than 30 days from the last day for lodging applications under the Hong Kong Public Offering.

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

### PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

### STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure and Conditions of the Global Offering” in this prospectus.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain amounts denominated in RMB, HKD or VND into US dollars at specified rates. You should not construe these translations as representations that the amounts in RMB, HKD or VND could actually be, or have been, converted into US dollar (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the amounts denominated in Renminbi have been translated into US dollars at the rate of US\$1 to RMB6.5070, the amounts denominated in HKD have been translated into US dollars at the rate of US\$1 to HK\$7.75 and the amounts denominated in VND have been translated into US dollars at the rate of US\$1 to VND22,711.

### ROUNDING

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

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### WEBSITE

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

### LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in any event of any inconsistency, the Chinese versions shall prevail.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Herman Yeung Shu Kin (楊樹堅)	Flat 5A, Block 4, Grandeur Villa Yau Yat Chuen 21 Tat Chee Avenue, Kowloon Hong Kong	Chinese
Mr. Philip Yeung Shu Kai (楊樹佳)	Flat C, 7th Floor, Tower 30, Phase 3 Parc Oasis, Yau Yat Chuen 27 Grandeur Road, Kowloon Hong Kong	Chinese
Mr. Stephen Duong Dien Sieu (楊衍釗)	Flat B, 23/F, Block 18, Serenity Park II No. 1 Tai Po Tau Drive, Tai Po, New Territories, Hong Kong	Australian
<i>Non-executive Directors</i>		
Mr. Lu Chin-Chu (盧金柱)	9F-1, No. 58 Shizheng Road, Xitun District, Taichung City 40756, Taiwan	Taiwanese
Mr. Tsai Nai-Yung (蔡乃湧)	No. 127, Yongxing Street, Yuanlin City, Changhua County 51050, Taiwan	Taiwanese
<i>Independent non-executive Directors</i>		
Mr. Chiu Che Chung Alan (丘至中)	Flat D, 6/F, Block 2 Rhine Garden 38 Castle Peak Road Sham Tseng New Territories, Hong Kong	Chinese
Mr. Ko Siu Tak (高少德)	Room A, 13/F, Block 26 South Horizons Ap Lei Chau Hong Kong	Chinese
Mr. Yip Kwok Cheung (葉國祥)	Flat B, 18/F Monticello 48 Kennedy Road Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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For further information regarding our Directors, please refer to “Directors and Senior Management” in this prospectus.

### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor** **WAG Worldsec Corporate Finance Limited**  
Suite 1101, 11/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Sole Global Coordinator and  
Sole Bookrunner** **Huajin Securities (International) Limited**  
Suite 1101, 11/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Joint Lead Managers** **Huajin Securities (International) Limited**  
Suite 1101, 11/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

**Nobleseed Securities Limited**  
Units 802-7, 8th Floor,  
Sun Hung Kai Centre,  
30 Harbour Road, Wanchai,  
Hong Kong

**Grand View Securities Limited**  
Suite 6209, 62/F,  
The Center,  
99 Queen’s Road, Central,  
Hong Kong

**Legal advisers to our Company** *As to Hong Kong law:*  
**Luk & Partners**  
**In Association with**  
**Morgan, Lewis & Bockius**  
Suites 1902-09, 19th Floor  
Edinburgh Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong

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

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to PRC law:*

**Jingtian & Gongcheng**

34/F, Tower 3, China Central Place  
77 Jianguo Road  
Beijing 100025  
People's Republic of China

*As to Cambodia law:*

**Ing Law Office**

**in Commercial Association with  
KCP (Cambodia) Ltd**

Unit 903, 9th Floor, Exchange Square  
No. 1A, Street 102  
Sangkat Wat Phnom, Khan Daun Penh  
Phnom Penh, Cambodia

*As to Macau law:*

**Leong Hon Man Law Office**

Avenida Praia Grande, N.º 409  
China Law Building, 12.º Andar  
Macau

*As to Taiwan law:*

**KPMG Law Firm**

61F., Taipei 101 Tower  
No. 7, Sec. 5, Xinyi Road  
Taipei City 11049, Taiwan (R.O.C.)

*As to Vietnam law:*

**Vision & Associates Legal**

Unit 308-310, 3rd Floor, Hanoi Towers  
49 Hai Ba Trung Street  
Hanoi, Vietnam

*As to U.S., EU and United Nations sanctions laws:*

**Morgan, Lewis & Bockius LLP**

1701 Market Street  
Philadelphia  
Pennsylvania 19103  
United States of America

*As to Australia sanctions laws:*

**Moulis Legal**

6/2 Brindabella Circuit  
Brindabella Business Park  
Canberra International Airport  
Australian Capital Territory 2609  
Australia

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to English law:*

**Morgan, Lewis & Bockius UK LLP**

Cendor House  
5-10 St. Paul's Churchyard  
London EC4M 8AL  
United Kingdom

*As to U.S. law:*

**Morgan, Lewis & Bockius LLP**

1701 Market Street  
Philadelphia  
Pennsylvania 19103  
United States of America

*As to Japan law:*

**TMI Associates**

23rd Floor  
Roppongi Hills Mori Tower  
6-10-1 Roppongi  
Minato-ku  
Tokyo 106-6123  
Japan

*As to Netherlands law:*

**Stibbe N.V.**

Beethovenplein 10  
1077 WM Amsterdam  
The Netherlands

**Legal advisers to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong law:*

**Deacons**

5th Floor, Alexandra House  
18 Chater Road Central  
Hong Kong

*As to PRC law:*

**Zhong Lun Law Firm**

23rd Floor, R&F Center  
10 Huaxia Road, Tianhe District  
Guangzhou, the PRC

**Auditor and reporting accountants**

**Ernst & Young**

22nd Floor, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Industry consultant**

**China Insights Consultancy**

10F, Tomorrow Square  
399 West Nanjing Road  
Huangpu District  
Shanghai  
People's Republic of China

**Receiving bank**

**Standard Chartered Bank (Hong Kong) Limited**

15/F Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong  
Hong Kong



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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Headquarter and principal place of business in Hong Kong</b>	Unit 1-2, 1/F, Join-In Hang Sing Centre 71-75 Container Port Road Kwai Chung, New Territories Hong Kong
<b>Company's website</b>	www.pihl.hk <i>(Information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Cheung Yuk Chuen (張玉存), HKICPA, ACCA Room 2512, Lee Fung House Lee On Estate Ma On Shan, New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Cheung Yuk Chuen (張玉存) Room 2512, Lee Fung House Lee On Estate Ma On Shan, New Territories Hong Kong  Mr. Stephen Duong (楊衍釗) Flat B, 23/F, Block 18, Serenity Park II No. 1 Tai Po Tau Drive Tai Po, New Territories Hong Kong
<b>Compliance adviser</b>	<b>WAG Worldsec Corporate Finance Limited</b> Suite 1101, 11/F, Champion Tower 3 Garden Road, Central Hong Kong
<b>Audit committee</b>	Mr. Ko Siu Tak (高少德) ( <i>Chairman</i> ) Mr. Chiu Che Chung Alan (丘至中) Mr. Yip Kwok Cheung (葉國祥)
<b>Remuneration committee</b>	Mr. Chiu Che Chung Alan (丘至中) ( <i>Chairman</i> ) Mr. Ko Siu Tak (高少德) Mr. Herman Yeung (楊樹堅)
<b>Nomination committee</b>	Mr. Yip Kwok Cheung (葉國祥) ( <i>Chairman</i> ) Mr. Chiu Che Chung Alan (丘至中) Mr. Herman Yeung (楊樹堅)

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## CORPORATE INFORMATION

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**Principal share registrar in  
the Cayman Islands**

**Conyers Trust Company (Cayman) Limited**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong branch share registrar**

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

**Principal banker**

**Shanghai Commercial Bank Limited**  
Shanghai Commercial Bank Tower  
12 Queen's Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information that appears in this section has been prepared by CIC primarily as a market research tool, and reflects estimates of market conditions based on certain statistics, industry data or other information which have been derived from government, official or other public sources. References to CIC should not be considered as the opinion of CIC as to the value of any security in our Company or as its advice to investing in our Company. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Such information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering, and no representation is given as to its accuracy. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, and any other party involved in the Global Offering (excluding CIC) make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We commissioned CIC, an independent market research and consulting company, to conduct research and analysis of the global bags and packs manufacturing and SCM and had CIC compiled the findings and results in the CIC Report. This prospectus contains information extracted from the CIC Report, and they are reflected in this and other sections such as “Summary”, “Business”, and “Financial Information”. A project fee of RMB642,000 was agreed with CIC for provision of its services pursuant to a service agreement which was reached by arm’s length negotiation.

### BACKGROUND OF CIC

CIC is in investment and financing consultancy and was founded in Hong Kong with offices in Beijing and Shanghai. It provides industry consulting services across various industries which include industry consulting, commercial due diligence, and strategic consulting.

### CIC Report

In preparing the CIC Report, CIC conducted both primary and secondary research through various resources. Primary research involves interviewing key industry experts and leading industry participants. Secondary research involves analysing data from various publicly available data sources, such as National Bureau of Statistics of China, The World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations Commodity Trade Statistics Database (UN Comtrade), General Administration of Customs PRC, etc. The information and data collected by CIC have been analysed, assessed and validated using CIC’s in-house analysis models and techniques. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) economic and industry-specific development are likely to maintain steady growth trends during the next decades for the key global markets (including North America, the E.U., Japan, PRC and other APAC countries); (ii) related key industry drivers are likely to continue driving growth in the global bags and packs manufacturing, exporting and retailing market for the key global regions (including North America, the E.U., Japan, the PRC, and other APAC regions) throughout the forecast period, which included increases in customer affordability, and the transfer of an expanding share of bags and packs manufacturing to manufacturing and SCM

## INDUSTRY OVERVIEW

companies; and (iii) there is no extreme force majeure or industry regulation in which the market may be affected either dramatically or fundamentally. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

### OVERVIEW

#### Categories of Bags and Packs

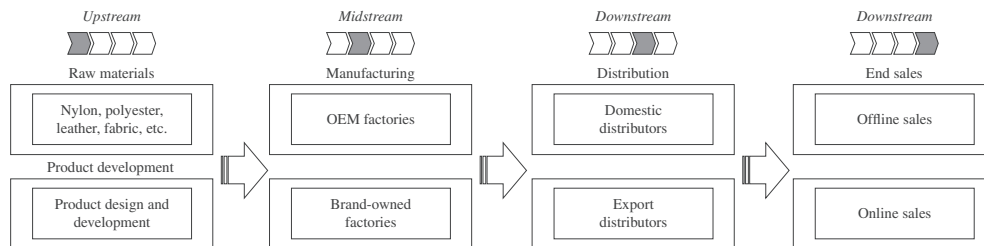
The modern definition of bags and packs refers to bags with either one strap or two straps that can run over the shoulder(s) to carry a load on one’s back. Bags and packs can be generally categorised into five different segments as below:

Fashion & Casual	Outdoor & Sporting	Business	Functional	Others
Casual bags and packs are primarily for daily use, and include different types of school bags and packs and those bags and packs used for leisure purposes.	Outdoor bags and packs are widely used for outdoor sporting activities, and mostly include daypacks and overnight bags and packs, which are designed with larger volumes in order to meet the requirements of a short trip.	Business bags and packs are used in workplaces for business persons. A special characteristic of a business bags and packs is the convenience of storing and carrying laptops and documents, with many of these bags and packs often coming in a form fit for laptops.	Functional bags and packs are usually used for more professional or specific functional purposes. Examples include camera bags and packs with multiple pockets, waterproof hydration bags and packs, etc.	Other bags and packs include toy bags and packs, work bags and packs specifically manufactured for certain companies or work positions, and other types of bags and packs being used for much less frequent occasions.

*Note:* For the purpose of this section, the terms “fashion & casual” and “outdoor & sporting” have been abbreviated to “casual” and “outdoor”, respectively. The term “casual & outdoor bags and packs” refer to both “fashion & casual bags and packs” and “outdoor & sporting bags and packs”. “Recreational bags and packs” refers to casual, outdoor, functional and other bags and packs but does not include business bags and packs.

#### Analysis of the Industry Value Chain and the Different Business Models for the Global Bags and Packs Manufacturing and SCM Market

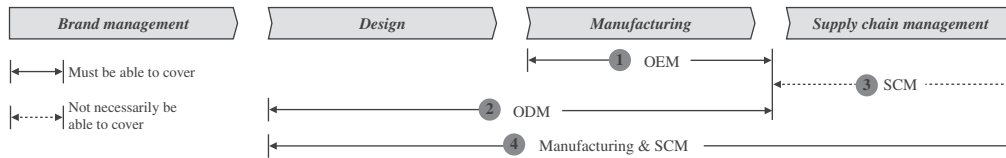
The following diagram illustrates where bags and packs OEM reside in the value chain:



For a bags and packs brand, there are apparent benefits and risks to choose manufacturing and SCM companies over brand-owned factories. Using manufacturing and SCM companies is a more cost-effective choice, providing easier access to expanded production and flexibility in terms of geographic choices for manufacturing. However, it also entails certain risks in terms of the potential loss of intellectual property, including product design and development.

## INDUSTRY OVERVIEW

The diagram below illustrates the different business models for the global bags and packs manufacturing and SCM market:



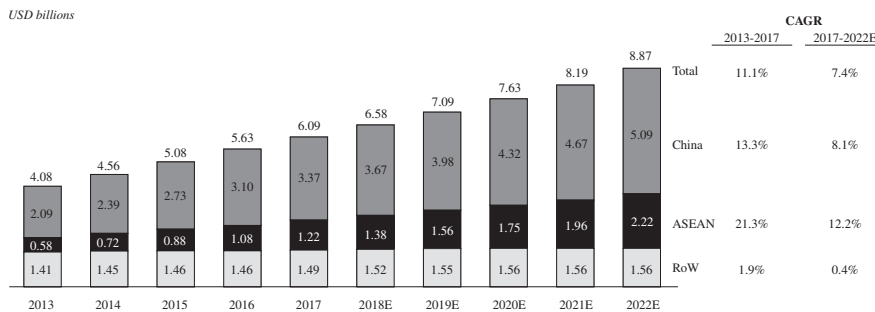
An OEM receives samples and designs from customers and manufactures products to be used as the customer’s components or sold under the brand of the customer or its affiliate. An ODM designs and manufactures products for its customer that is a retailer and the products will be sold by that customer to the consumer. A SCM service provider would help the customers to optimise the arrangement of logistics, international freights & shipments, and management of distribution channels. The manufacturing and SCM market is defined to encompass key processes within the industry value chain for the global bags and packs manufacturing and SCM market, including design, manufacturing and supply chain management services. From time to time, some manufacturers may have presence in two, or even all the three business models simultaneously.

### BAGS AND PACKS MANUFACTURING AND SCM MARKET

#### Market Size and Forecasts for Ex-factory Revenues in the Global Bags and Packs Manufacturing and SCM Market

The size of ex-factory revenues in the global bags and packs manufacturing and SCM market has grown at a CAGR of 11.1% for the period between 2013 and 2017. This increase in ex-factory revenues has mainly been driven by two factors: first, increases in consumption volumes for bags and packs have led to an increase in manufacturing demand; second, given an increasing consumer’s affordability on a backdrop of rising individual disposable incomes around the globe, the retail and ex-factory prices for bags and packs have continued to increase at a gradual pace. These factors are projected to continue playing a large role in the future, with the market therefore expected to continue benefiting from such strong growth momentum, increasing to US\$8.87 billion by 2022, at a CAGR of 7.4%. China still maintains its massive scope of labour force, and along with gradually upgrading manufacturing knowhow, it has been popular for bags and packs brands, especially high-end brands with more complicated designs.

#### Market Size and Forecasts for Ex-factory Revenues in the Global Bags and Packs Manufacturing and SCM Market, 2013-2022E



Note: The figures in the chart do not add up to the total due to rounding.

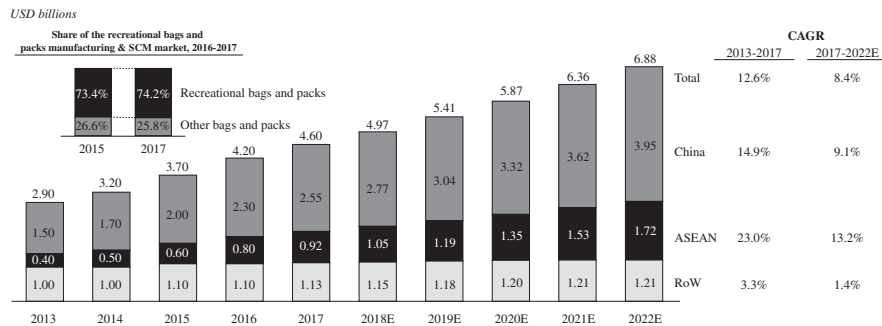
Source: CIC

## INDUSTRY OVERVIEW

### Market Size and Forecasts for Ex-factory Revenues in the Global Recreational Bags and Packs Manufacturing and SCM Market

The total market size for ex-factory revenues in the global recreational bags and packs manufacturing and SCM market rose from US\$2.90 billion in 2013 to US\$4.60 billion in 2017, representing a double-digit CAGR of 12.6%. The recreational bags and packs manufacturing and SCM segment has been driven by the same factors driving the growth in the global bags and packs manufacturing and SCM market. Moreover, driven by the increasing popularity of recreational activities and growing acceptance of casual attire in workplaces, the consumption demand for recreational bags and packs will continue to increase to US\$6.88 billion in the forthcoming years with a CAGR of 8.4% between 2017 and 2022.

#### Market Size and Forecasts for Ex-factory Revenues in the Global Recreational Bags and Packs Manufacturing and SCM Market, 2013-2022E



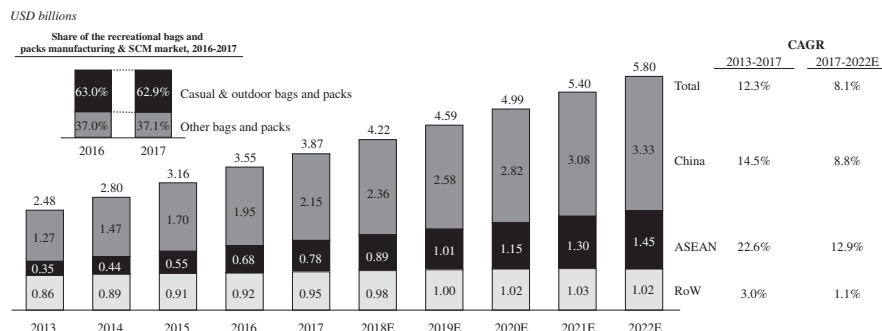
Note: The figures in the chart do not add up to the total due to rounding.

Source: CIC

### Market Size and Forecasts for Ex-factory Revenues in the Global Casual & Outdoor Bags and Packs Manufacturing and SCM Market

The casual & outdoor bags and packs manufacturing and SCM segment has been driven by the same factors driving the growth in the global bags and packs manufacturing and SCM market. Furthermore, growth has been driven by a rising demand for the latest fashions, a shift towards casual attire in workplaces, and the increasing popularity of outdoor activities, all of these factors promote an increase in demand within the casual & outdoor bags and packs segment.

#### Market Size and Forecasts for Ex-factory Revenues in the Global Casual & Outdoor Bags and Packs Manufacturing and SCM Market, 2013-2022E



Note: The figures in the chart do not add up to the total due to rounding.

Source: CIC

### **Market Drivers for the Global Casual & Outdoor Bags and Packs Manufacturing and SCM Market**

#### ***Increasing retail sales and consumption of bags and packs globally***

With increasing disposable income, rising living standards and increasing health consciousness, global retail sales and the consumption of bags and packs have grown rapidly in recent years.

With increasing affluence around the globe and increasing disposable income in key global markets, such as the North America, the E.U., China, and the APAC region, consumer products, including bags and packs, have become increasingly affordable, and consumers have become more inclined to pursue higher living standards and more fashion conscious, which in turn heightened their willingness to increase their spending on branded and/or fashion-related products, including casual and outdoor bags and packs, driving the global demand for bags and packs as well as the global bags and packs manufacturing and SCM market. For instance, in terms of developed markets, North America and the E.U. have always been the two largest retail markets for bags and packs, driven by the world's highest levels of individual disposable incomes and consumption expenditures. At the same time, the retail sales values for bags and packs in developing countries have grown rapidly given the large population base in these countries and their continuously increasing purchasing power. This is especially true for countries in the APAC region, which remains the largest region in the world for the consumption of bags and packs. Therefore, the growing consumption of bags and packs is set to boost the manufacturing demand for bags and packs in the future.

Moreover, the increasing health consciousness of consumers would drive more active participation in outdoor and sporting activities. This trend is expected to increase the purchase demand for and overall consumption of bags and packs, and expand the outdoor and sporting segment within the bags and packs industry in particular, especially in developing countries where people already have a substantially higher awareness in terms of healthy lifestyle choices. For instance, the outdoor bags and packs segment grew at a CAGR of 13.7% from 2013 to 2017, and this growth momentum is expected to continue at a CAGR of 8.4% over the next five years.

#### ***Low cost advantages and more flexible combinations in terms of manufacturing locations***

Bags and packs brands have been transferring an increasing share of their manufacturing volumes to bags and packs manufacturing and SCMs. This move reflects the low-cost advantages of manufacturing and SCM manufacturing, with manufacturing and SCM manufacturers benefitting from both the lower labour costs and lower raw material purchasing costs in Asian countries. Moreover, given increasing flexibility when cooperating with manufacturing and SCMs across different geographical locations, branded companies can optimise their shipment options and consequently lower their logistics costs. As a result, the global bags and packs manufacturing and SCM market has been presented with an opportunity to take on an increasing share of manufacturing from brand-owned factories, which entails a gradual increase in production volumes and hence greater revenues.

#### ***Favourable trade policies for a select number of Asian countries***

Increasing export volumes for bags and packs manufactured in Asian countries are being driven by favorable tax rebates and trade policies enacted by a number of national governments. For example, the Generalised System of Preferences (GSP) benefits several Asian countries by lowering duty rates in certain developing countries such as Cambodia, Myanmar, Thailand and India. Moreover, the free trade agreement negotiations between the E.U. and Vietnam will benefit Vietnam in terms of gradually lowering duty rates. Please see “Policies and Regulations Impacting the Global Bags and Packs Manufacturing and SCM Market” in this section below for more details. These favourable trade policies will help strengthen the current competitive advantages of manufacturers in the relevant beneficiary countries, including but not limited to their low labour



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and production costs, which further incentivises bags and packs brand owners to allocate more production volume to them and import more bags and packs from beneficiary countries, hence boosting the global bags and packs manufacturing and SCM market, particularly in ASEAN countries.

### **POLICIES AND REGULATIONS IMPACTING THE GLOBAL BAGS AND PACKS MANUFACTURING AND SCM MARKET**

#### **The U.S. Generalised System of Preferences (GSP) and the E.U. standard GSP and other policies**

The U.S. GSP-eligible Textile, Apparel and Travel Goods HTS Lines established in July 2016 is a program designed to promote economic growth by encouraging trade between developing countries and the U.S. It provides preferential duty-free treatment for textiles, apparel, and travel-related goods. In particular, it provides duty-free treatment for over 3,500 products, including luggage, backpacks, handbags, etc. from a wide range of designated beneficiary countries in the Asia-Pacific region that includes Cambodia.

The E.U. has issued a number of trade related policies, including: (i) the standard GSP, which reduces E.U. import duties for about 66% of all dutiable product lines from Vietnam, among other beneficiary countries; and (ii) the Everything But Arms (EBA) scheme, which allows duty-free and quota-free imports for all kinds of goods, excluding armaments, exported from least developed countries including Cambodia to countries in the E.U. As a result, Cambodia's exports to the E.U. have increased significantly over the past years.

#### **Policies and Regulations Impacting China's Bags and Packs Manufacturing and SCM Market**

The Notice Regarding Adjustments in Export Reform Rates issued in January 2015 by the Ministry of Finance and State Administration of Taxation of the PRC declared that the PRC government will start to increase the rebate rate for some high value-added export products, including textile products. The export rebate rate for some textile products has risen to 17%, which will help support China's international competitiveness in the textile and apparel industry. The Integration of the Textile Trade issued in January 2015 by the World Trade Organisation declared that after the implementation of the policy, the exporting of Chinese textile products to foreign markets will no longer be restricted by quotas and high tariffs, which will be necessary if Chinese domestic manufacturers of textile products hope to further increase their export volumes. The E.U.-Mediterranean Free Trade Zone was established in September 2010 and the E.U. has rolled out a preferential trade policy with the Mediterranean region to promote the development of the region's textile industry. In addition to the promotion of preferential trade policies in the Mediterranean region, the E.U. has also acted to withhold preferential treatment for Chinese textiles, with tariff rates for Chinese textiles having been raised.

#### **Policies and Regulations Impacting Vietnam's Bags and Packs Manufacturing and SCM Market**

The ASEAN Free Trade Agreement promulgated in January 2002 coordinates all activities related to the comprehensive agreement on the internal trade in goods, and sets its sights on "binding together the ASEAN free trade area based on preferential tariff rates" and upholding other related agreements signed on the basis of commitment. The FTA (free trade agreement) negotiations between Vietnam and the E.U. started in June 2012 and its major intention is to largely increase the coverage of products that can enjoy preferential tariff rates, and lower the tariff rates for those products over time to zero within seven years after legal implementation, which is expected to take effect in 2018. As at the Latest Practicable Date, exporters for travel goods, handbags, and similar containers currently need to pay a tariff rate between 2.7% and 9.7%, and it is expected that after the legal implementation of the FTA, such goods will soon join the queue of zero or preferential tariff rates. There are currently 12 member countries involved in the negotiations of the Trans-Pacific Partnership (TPP), which includes Vietnam. After the partnership comes into effect, the tariff rate for 78% to 95% of exported products in Vietnam will immediately drop to zero, a change which will also affect leather and textile products. However,

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the U.S. withdrawal from the negotiation in 2017 is expected to have a negative effect on the partnership. The Vietnamese government has opted to withhold from pressuring its congress to ratify the U.S.-led TPP agreement given changes in the political climate following the U.S. election.

### COMPETITIVE LANDSCAPE

The global bags and packs manufacturing and SCM market is highly fragmented owing to the presence of more than tens of thousands of competitors. The top five players took up a share of approximately 17.15% in the global bags and packs manufacturing and SCM market and approximately 19.66% in the global recreational bags and packs manufacturing and SCM market in 2017. As of the global casual & outdoor bags and packs manufacturing and SCM segment, the top five players fetched a share of 18.14% in 2017.

China has long been the global manufacturing hub for a wide range of industries, and so as is the case for bags and packs manufacturing. Export has been the major revenue contribution to many bags and packs manufacturing and SCM companies in China. With more than ten thousand bags and packs manufacturing and SCM companies, China's bags and packs manufacturing and SCM market remains relatively fragmented. In 2017, the top five players took up a share of approximately 21.93% in the overall bags and packs manufacturing and SCM market, along with a share of approximately 20.69% in the casual & outdoor bags and packs segment that year. In terms of ex-factory revenues, the overall bags and packs manufacturing and SCM market in China achieved revenues of US\$3.4 billion in 2017, with the casual & outdoor bags and packs manufacturing and SCM segment having taken up a market share of approximately 78.1%, valued at revenues of US\$2.4 billion in 2017. ASEAN countries have continued to gain economic footholds in the global market, particularly in the bags and packs manufacturing and SCM market with ASEAN countries in global market gradually picking up. Driven by the fast development of economy and lower labour cost, the bags and packs manufacturing and SCM industry in ASEAN has witnessed quicker growth in the coming years. Bags and packs manufacturing and SCM market in ASEAN is also highly fragmented with several thousands of manufacturing and SCM companies; with some of them are financed by foreign investments.

### Ranking of our Group and Competitors

#### *We rank third in the global bags and packs manufacturing and SCM market by ex-factory revenue*

We rank third in the global bags and packs manufacturing and SCM market in 2017 amongst our competitors. The top five players took up a combined market share of 17.15% in 2017, translating into a total ex-factory revenue of US\$1,064.9 million that year. Our Group contributed 4.04% of the market at US\$250.8 million. All the top five players are based in Asian countries and operate factories in China and/or in ASEAN region.

#### **Rankings and market shares in the global bags and packs manufacturing and SCM market, 2017**

<b>Companies</b>	<b>Global Ranking</b>	<b>Headquarters</b>	<b>Market Share (%)</b>	<b>Ex-factory Revenue, 2017 (US\$ million)</b>
Competitor A	1	China	4.52%	280.6
Competitor B	2	Republic of Korea	4.25%	263.8
Our Group	3	Hong Kong	4.04%	250.8
Competitor C	4	Republic of Korea	2.57%	159.4
Competitor D	5	China	1.77%	110.3

Source: CIC

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***We rank first in the global recreational bags and packs segment in the manufacturing and SCM market by ex-factory revenue***

We rank first in the global recreational bags and packs manufacturing and SCM market in 2017. The top five players took up a combined market share of approximately 19.66% in 2017, translating into a total ex-factory revenue of US\$905.4 million that year. Our Group is the largest market participant, having captured 5.45% of the market in 2017, representing an ex-factory revenue of US\$250.8 million that year.

### Rankings and market shares in the global recreational bags and packs manufacturing and SCM market, 2017

Companies	Global Ranking	Headquarters	Market Share (%)	Ex-factory Revenue, 2017 (US\$ million)
Our Group	1	Hong Kong	5.45%	250.8
Competitor B	2	Republic of Korea	5.17%	238.1
Competitor A	3	China	3.53%	162.7
Competitor C	4	Republic of Korea	3.12%	143.5
Competitor D	5	China	2.39%	110.3

*Source: CIC*

### Competitors

The following is a summary of our competitors and their key details:

Companies	Location of Head-quarter	Business Overview	Total ex-Factory Revenue in the Global Bags and Packs Manufacturing and SCM Market, 2017	No. of Employees
Competitor A	China	Manufacturing and exporting various kinds of top global brands of business, casual and outdoor bags and packs and travel suitcases.	US\$280.6 million	Over 10,000
Competitor B	Republic of Korea	Manufacturing, processing bags and packs, suitcases and other relevant products	US\$263.8 million	Over 15,000
Competitor C	Republic of Korea	Manufacturing products for world famous brands using an OEM and ODM model in production facilities located in China, Vietnam and Republic of Indonesia	US\$159.4 million	Over 9,000
Competitor D	China	Manufacturing and selling of sporting gear, sports apparel and accessories, and nylon bags	US\$110.3 million	Over 5,000

*Source: CIC*

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### **Entry Barriers for the Global Bag and Packs Manufacturing and SCM Industry**

#### ***Huge amount of initial investment and the acquisition of fixed assets***

In order to open a new factory, a new entrant needs to invest heavily into the acquisition of required manufacturing facilities, equipment, and other fixed assets. As well, new entrants will need to pay for a combination of variable costs, including rental fees for plants and salaries for a large team of workers. All of these costs create a number of significant hurdles in terms of a new entrant's financial capabilities when entering into the bags and packs manufacturing and SCM industry.

#### ***Resourceful customer relationships***

In order to establish a presence in the market, a new entrant must have access to bags and packs brands especially in terms of business development, which is particularly challenging when seeking out a cooperative partnership with a leading global bags and packs brand. These bags and packs brands are, by their nature, very sticky in terms of their pre-existing cooperation with manufacturing and SCM companies, with these brands placing a great deal of emphasis on maintaining product quality and consistent supplies. Therefore, it can be a major challenge for a new manufacturing and SCM company to gain a foothold in the market, especially as concerns partnerships with top global brands.

#### ***Experience and understanding in manufacturing processes and knowhow***

Since manufacturing sectors are typically labour intensive, and with bags and packs manufacturing involving many long and fragmented processes, the training of factory workers becomes essential before ramping up production; this being especially true for some low-end manufacturing and SCM companies whose manufacturing techniques are often heavily dependent on manual work. As such, a new manufacturing and SCM company seeking to enter into the market must successfully recruit and train a huge team of workers and middle managers in a given location before starting production.

### **COST ANALYSIS**

#### **Analysis of Raw Material and Labour Cost in China**

Major raw materials used in bags and packs products include polyester fibre and nylon fibre, with their prices subject to national supply and demand dynamics. The average price for nylon fibre decreased from US\$3.9 per kilogram in 2013 to US\$3.0 per kilogram in 2017. Meanwhile, the average price for polyester fibre also dropped during this period, from US\$1.9 per kilogram in 2013 to US\$1.4 per kilogram in 2017. The decrease in prices of both polyester fibre and nylon fibre was mainly due to the falling crude oil prices during the period. However, there has been a steady decrease in production volume of polyester fibre and nylon fibre owing to the government initiatives in terms of cut in supply and environmental conservation on the supply side whereas the downstream consumption volume of polyester fibre and nylon fibre has been steadily growing on the backdrop of overall economic growths in China which resulted in relatively steady purchase price of polyester fibre and nylon fibre to the bags and packs OEMs in the past several years. Furthermore, the bags and packs OEMs may even have to pay a certain amount of premium due to environmental conservation in the event that they purchase processed products such as synthetic fabrics. China's average wage for manufacturing workers has meanwhile increased at a stable rate, increasing from US\$7,862 per annum in 2013 to US\$9,315 per annum in 2017.

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### **Analysis of Labour Cost in Vietnam and Cambodia**

The average wage for manufacturing workers in Vietnam increased from US\$2,280 per annum in 2013 to US\$3,972 per annum in 2017, representing a CAGR of 14.9%. Although the average wage for manufacturing workers in Vietnam has increased significantly, it still remains much lower than the average wage for manufacturing workers in China. Meanwhile, the average wage for manufacturing workers in Cambodia increased from US\$1,661 per annum in 2013 to US\$2,640 per annum in 2017, at a CAGR of 12.3%. Both Vietnam and Cambodia have competitive advantages in terms of its lower labour and manufacturing costs when compared with China, making them attractive alternatives for global bags and packs manufacturing and SCM companies and bags and packs brand companies.

### **Export Price for Nylon from Republic of Korea and Taiwan**

The Republic of Korea and Taiwan are major manufacturing regions for nylon filament and nylon staple fibre, respectively, with many Asian countries import these two raw materials from the Republic of Korea and Taiwan. In the past five years, the export prices of these two products decreased gradually on a backdrop of falling crude oil and benzene prices. The export price of nylon filament from the Republic of Korea decreased from US\$8.9 per kilogram in 2013 to US\$5.8 per kilogram in 2017. The export price for nylon staple fibre from Taiwan also dropped from US\$3.7 per kilogram in 2013 to US\$3.2 per kilogram in 2017. In general, the decrease of the prices has been driven by structural oversupplies in the two regions with increasing number of suppliers and rising production volumes. With the oversupply remaining but capacity cut plans on agenda and environmental conservative efforts, the prices are forecasted to be stable or drop at tepid paces in the forthcoming years. Nevertheless, prices for processed products such as synthetic fabric are much less volatile than the raw material prices as supported by the demand from bags and packs OEMs during the period.

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This section sets forth a summary of the most significant regulations that affect our Group's business and operations. Information contained in this section should not be construed as a comprehensive summary or details analysis of laws and regulations applicable to the business and operations of our Group.

### OVERVIEW OF THE LAWS AND REGULATIONS OF THE PRC

#### Regulations relating to Foreign Investment in China

##### *Foreign Investment*

On 28 June 2017, the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) jointly promulgated a revised Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄)(the “**Catalogue**”), which came into effect on 28 July 2017. The Catalogue lists those industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited. Any industry not listed in the Catalogue is a permitted industry. Pursuant to the Catalogue, productions and sales of bags and packs fall within the permitted catalogue.

The establishment, operation and management of corporate entities in the PRC is governed by the PRC Company Law (中華人民共和國公司法), which was initially promulgated by the Standing Committee of the National People's Congress of the PRC on 29 December 1993 and came into effect on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest amended PRC Company Law became effective on 1 March 2014. The PRC Company Law generally governs two types of companies – limited liability companies and joint stock limited companies. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval or record-filing procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法)(the “**WFOE Law**”), promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Rules for the Implementation of the WFOE Law (中華人民共和國外資企業法實施細則), promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014. According to the amendments to the WFOE law in 2016, for wholly foreign-owned enterprise which the special entry management system does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法)(the “**Provisional Measures**”), promulgated by MOFCOM on 8 October 2016 and amended on 30 July 2017 with effect from the same day, establishment and modifications of foreign invested enterprises which are not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

#### Regulations on Foreign Exchange and Dividend Distribution

The Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996 as amended on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996 which became effective on 1 July 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.



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Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (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 was promulgated by State Administration of Foreign Exchange (the “SAFE”) on 10 May 2013, and became effective as of 13 May 2013, standardised and simplified the foreign exchange operating procedures and standards in terms with direct investments by foreign investors with regards 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.

The Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set up institutions or establishments. However, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), which was promulgated on 6 December 2007 and became effective on 1 January 2008, reduced the rate from 20% to 10% with the implementation date starting from 1 January 2008.

Pursuant to the Circular of the State Administration of Tax on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty 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 and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (1) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (2) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (3) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) which was signed on 21 August 2006 with effect from 1 January 2007, no more than the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company.

According to the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), which was promulgated on 27 August 2015, and became effective as of 1 November 2015, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

### **Taxation Laws and Regulations**

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

On 16 March 2007, the National People’s Congress passed the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) with effect from 1 January 2008, which was amend on 24 February 2017. The Law of the PRC on Enterprise Income Tax adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and preferential tax rates enjoyed by enterprises prior to the promulgation of the law were gradually abolished.



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### ***Value-added Tax***

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 19 November 2017 and effective on the same day and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, sale of services, intangible assets or real estate, and the importation of goods are required to pay value-added tax (the “VAT”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods, providing processing, repairs and maintenance services and leasing of tangible movable property except as otherwise provided in the Provisional Regulations on Value-added Tax of the PRC.

Pursuant to the Notice in Relation to Fully Expand the Trials of the Replacement of the Business Tax with a VAT (關於全面推開營業稅改征增值稅試點的通知) jointly issued by Ministry of Finance and the State Administration of Taxation on 23 March 2016, and the Implementing Measures for the Pilot Trials of Replacing the Business Tax with a VAT (營業稅改征增值稅試點實施辦法)(the “**Implementing Measures**”), individuals and units selling service, intangible assets or real estate in PRC shall pay VAT.

### ***Urban Maintenance and Construction Tax***

Pursuant to the Provisional Regulation on Urban Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer, whether an entity or individual, of consumption tax, VAT or business tax shall be required to pay urban maintenance and construction tax based on the total amount of consumption tax, value-added tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

### ***Education Surcharge***

Pursuant to the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax or business tax paid by such entity.

### ***Environmental Laws***

#### ***The Environmental Protection Law of the PRC***

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 26 December 1989, amended on 24 April 2014 and effective as of 1 January 2015, any entity which discharges or will discharge pollutants during courses of operation or other courses should implement effective environmental protection methods and procedures to control and properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise vibrations, electromagnetic radiation and other hazards produced during such courses. Any company or enterprise which discharges environmental pollutants should pay pollutant discharge fees for the discharge which would be used to treat pollutions.

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The environmental protection authorities would impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law under different circumstances. Such penalties include warnings, fines, orders to rectify and make treatment within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shut down those enterprises. Any person or entity that pollutes the environment resulting damages could also be held liable under the Tort Law of the PRC (中華人民共和國侵權責任法). Environmental organisations could bring lawsuit against any entities that discharge pollutions detrimental to the public welfares.

### ***The Appraising of Environment Impacts Law of the PRC***

According to the Appraising of Environment Impacts Law of the PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC on 28 October 2002, amended on 2 July 2016 and effective as of 1 September 2016, on the basis of the extent of the effects exerted on the environment by construction projects, a construction unit shall prepare a written report on the environmental effects or report form on such effects, or fill out a registration form of environmental effects of the projects and the report as well as report form shall be approved by the competent environmental protection administrative department while the registration form shall be filled with the competent authority for records before the commencement of the projects. Violation of such requirements may result in the imposition of administrative fines or order to cease construction, make a filing or make recovery.

### ***The Management Regulations of Environmental Protection of Construction Project***

According to the Management Regulations of 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, amended on 16 July 2017 and effective as of 1 October 2017, the PRC adopts a system for the evaluation of the environmental impact of a construction project. For a construction project which is required to prepare an environment impact report or environment impact report form pursuant to the law, the builder shall, prior to commencement of construction, submit the environment impact report or environment impact report form to the competent environmental protection administrative authorities for examination and approval.

### ***The Interim Regulations on Environmental Protection Acceptance of Construction Projects***

According to the Interim Regulations on Environmental Protection Acceptance of Construction Projects (建設項目竣工環境保護驗收暫行辦法) promulgated by Ministry of Environmental Protection on 20 November 2017 which came into effect simultaneously, the builder, as the responsible entity for environmental protection acceptance of a construction project, shall organise the acceptance of the ancillary environmental protection facilities, prepare an acceptance report, make relevant information publicly available, accept the supervision of the society, ensure the ancillary environmental protection facilities being put into production or use with principal parts of a construction project at the same time.

### ***Labour Law and Regulations***

Enterprises in China are mainly subject to the following PRC labour laws and regulations: Labour Law of the PRC (中華人民共和國勞動法), PRC Labour Contracts Law (中華人民共和國勞動合同法), the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulation of Insurance for Work-Related Injury (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Collection and Payment of Social

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Insurance Premiums (社會保險費征繳暫行條例), the Administrative Regulation on Housing Provident Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to Labour Law of the PRC, which was promulgated on 5 July 1994, amended and being effective on 27 August 2009, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accident and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labour Contracts Law, which was promulgated by the Standing Committee of the NPC on 29 June 2007 and amended on 28 December 2012 and came into effect on 1 July 2013. Pursuant to the PRC Labour Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

As required under the Social Insurance Law of the PRC, the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Provident Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing provident fund.

Pursuant to the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), which was promulgated on 3 April 1999, amended and being effective on 24 March 2002, enterprises are required to register with the competent administrative centre of housing provident fund and open bank accounts for housing provident funds for their employees. Employers are also required to timely pay all housing provident fund contributions for their employees.

### ***Production Safety and Product Quality***

The Production Safety Law of the PRC (中華人民共和國安全生產法) which was promulgated by the SCNPC on 29 June 2002, amended on 27 August 2009, 31 August 2014, and effective as of 1 December 2014 requires that production and operation entities must establish production safety responsibility systems and the major responsible persons shall be fully responsible for the production safety of the entities. Production and business entities shall truthfully inform the employees of the risk factors involved in the work, preventive measures and emergency measures of the workplace. And employers shall provide the employees with protective equipment that meets national or industrial standards, supervise and educate them about wearing and use of the equipment. Production and business entities shall participate in work-related injury insurance as required by the law and pay the premium for the employees. Violation of the Production Safety Law may result in an order to rectify, imposition of fines and penalties, the suspension of operation, an order to cease operation or shut down the entities, cancellation of relevant certificates or licences, and/or criminal liability in severe cases.

The principal legal provisions governing product liability are set out under the Product Quality Law of the PRC (中華人民共和國產品質量法), promulgated by SCNPC on 22 February 1993, amended on 8 July 2000, 27 August 2009, and effective as of 27 August 2009 which is applicable to manufacture and distribution of any product within the territory of the PRC. Both the manufacturer and the distributor shall be liable for failing to meet the prescribed quality standards. The products shall meet the following quality requirements: (1) constituting no unreasonable threats to personal safety or safety of property, and conforming to the national

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standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards; (2) possessing the properties as required, except for those with directions stating their functional defects; and (3) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product directions, samples, etc. Violations of the Product Quality Law may result in fines and in some cases the violator may be ordered to suspend its operations, or its business licence will be revoked. Criminal liability may be incurred if the non-compliance incidents are matters of a serious nature. The current supervision system adopts selective examination as the main method.

Any producer or seller that produces or sells products not up to the relevant national or sectoral standards for ensuring human health, personal safety and safety of property shall be ordered to discontinue production or sale of such products, the products illegally produced or ready for sale shall be confiscated, and such producer or seller shall be subject to a fine of a sum equal to the amount of but not more than three times of the value of the products illegally produced or ready for sale (including those already sold and those unsold). The illegal gains, if any, shall also be confiscated. If the circumstances are serious, the business licence shall be revoked. If a crime is committed, investigation will be conducted in accordance with the law.

Where a producer or a seller mixes impurities or imitations into a product, or passes off fake products as genuine ones, or passes off defective products as good ones, or passes off substandard product as standard ones, such producer or seller shall be ordered to discontinue production or sale, the products illegally produced or for sale shall be confiscated. The relevant producer or seller shall be fined no less than 50 percent but not more than three times of the value of the products illegally manufactured or ready for sale; the unlawful earnings, if any, shall be confiscated; if the circumstances are serious, the business licence shall be revoked; if a crime is committed, investigation will be conducted in accordance with the law.

The Law on Protection of Consumers Rights and Interests (中華人民共和國消費者權益保護法) was promulgated by the SCNPC on 31 October 1993, amended on 27 August 2009, 25 October 2013 and effective as of 15 March 2014. Under the Law on Protection of Consumers Rights and Interests, the rights of consumers in respect of safety of person and property in purchasing or using commodities and receiving services shall be protected. Consumers whose legitimate rights and interests are infringed upon their purchasing, using of such commodities or receiving services are entitled to compensation from the sellers and/or suppliers of the services concerned.

Under the Tort Law of the PRC (中華人民共和國侵權責任法) promulgated by the SCNPC on 26 December 2009 and effective as of 1 July 2010, a manufacturer shall bear tort liability if its product causes damage to others due to a product defect. If a defective product endangers the personal or property safety of others, the infringer shall be entitled to request that the manufacturer or seller assume tort liability through, *inter alia*, removal of obstacle and elimination of danger. If a defect is found in a product after it has been put into circulation, the manufacturer and the seller shall take remedial measures in a timely manner including, *inter alia*, alerts and recalls. In the event of damage arising from a failure to take remedial measures in a timely manner or inadequate remedial measures, they shall bear tort liability. In the event of death or serious damage to health arising from a product that is manufactured or sold when it is known to be defective, the infringer shall be entitled to claim corresponding punitive compensation.

### Imports and Exports

According to the Customs Law of the PRC (中華人民共和國海關法), promulgated by the SCNPC on 22 January 1987, amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, and effective as of 5 November 2017, unless otherwise provided for, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the permission of the customs. The consignees and consignors for import or export of goods and the customs brokers engaged in

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customs declaration shall register with the customs in accordance with the laws. The declaration of inward and outward articles and payment of duties on them may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法), promulgated by the SCNPC on 12 May 1994, amended on 6 April 2004 and 7 November 2016, and effective as of 7 November 2016, foreign trade operators engaged in goods or technology import and export shall go through the record-filing registration formalities with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that do not need to go through the record-filing registration formalities prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council.

Pursuant to the Notice of the Ministry of Commerce on Relevant Issues Concerning the Record – filing Registration of Right to Foreign Trade of Foreign-invested Enterprises (商務部關於外商投資企業外貿權備案登記有關問題的通知) issued by the MOFCOM on 17 August 2004 and effective as of the same date, any FIEs established after July 1, 2004 that engages in import or export of self-use or self-produced goods and technology of this enterprise need not go through the record-filing registration formalities for foreign trade operators.

### OVERVIEW OF THE LAWS AND REGULATIONS OF VIETNAM

#### The investment laws and regulations

The investment laws and regulations, with the backbone being the old Investment Law, dated 29 November 2005 (as amended from time to time) which is now replaced by the new Investment Law, dated 26 November 2014 (effective from 01 July 2015) (collectively “**Investment Law**”), provide the key principles for investment by our Group in Vietnam to incorporate Starite International Vietnam Limited (“**Starite Vietnam**”) and to conduct its currently registered businesses (“**Registered Business**”), principally engaging in manufacturing all kinds of bags and sport accessories. In general, the Investment Law provides investment conditions, requirements and procedures for applying the *investment certificate* or the *investment registration certificate* by all foreign investors to register for their investment project for incorporating their subsidiary companies in Vietnam to carry on such investment project. In addition, the Investment Law provides all investment incentives to foreign investors, the basic rights and obligations of foreign investors (such as the right to conduct business investment activities in industries and trades which are not prohibited by this law, the right to make decision on business investment activities in accordance with laws, etc), the supports and guarantees by the Government of Vietnam to foreign investors and their investment in Vietnam. In fact, before the effective date of new Investment Law 2014 which is 01 July 2015, Starite Vietnam was granted with the investment certificate which recorded both the investment project contents and enterprise registration contents. After the effective date of new Investment Law 2014, Starite Vietnam was granted with the investment registration certificate which replacing the investment project contents of the investment certificate. However, the enterprise registration contents of the investment certificate will be continually effective and used without the need to be converted into the enterprise registration certificate. If Starite Vietnam changes any of enterprise registration contents (if any), Starite Vietnam will need to conduct legal procedure to convert the enterprise registration contents of the investment certificate into the enterprise registration certificate. In general, any amendment of the issued investment certificate for any of change in relation to the enterprise registration contents will be subsequently subject to and follow the same procedures as applicable to the amendment of the enterprise registration certificate.



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### **The enterprise laws and regulations**

The enterprise laws and regulations, with the backbone being the old Enterprise Law, dated 29 November 2005 (as amended from time to time) which is now replaced by the new Enterprise Law, dated 26 November 2014 (effective from 01 July 2015) (collectively “**Enterprise Law**”), provide the key principles for the incorporation, organisation and operations of Starite Vietnam. In general, the Enterprise Law provides the key principles on the incorporation, organisation and management of the companies. According to the Enterprise Law, Starite Vietnam currently exists in the form of a single member limited liability company, which (unlike a joint stock company) shall not be permitted to issue any shares. As a result of the investments of our Group in Starite Vietnam (a single member limited liability company with 100% foreign ownership, wholly owned by Wealthcorp), the respective investment certificates were issued (pursuant to the Investment Law) to Starite Vietnam which include both the information of investment project and information of corporation. As at the date hereof, the enterprise registration contents of the investment certificate remains being effective while the investment project contents of the investment certificate was replaced by the investment registration certificate. For further detail, please refer to our note above.

### **Environment protection laws and regulations**

The environment protection laws and regulations, with the backbone being the old Environment Protection Law dated 29 November 2005 which is now replaced by the new Environment Protection Law dated 23 June 2014 (effective from 01 January 2015) (collectively “**Environment Protection Law**”), provide the key principles for all environment protection issues during the life time of foreign invested companies like Starite Vietnam, which include requirements such as formation and submission of environment protection commitment or environment impact assessment report, periodical report for environmental monitoring, and collection and treatment of hazardous waste etc.

### **Foreign exchange control laws and regulations**

The foreign exchange control laws and regulations, with the backbone being the Foreign Exchange Control Ordinance, dated 13 December 2005 (as amended from time to time) (“**Foreign Exchange Ordinance**”), provide the key principles for all foreign exchange control issues during the life time of foreign invested companies like Starite Vietnam, which include the open of the foreign direct investment capital account (“**Capital Account**”), the injection of capital contribution into charter capital of Starite Vietnam by foreign investor, and all capital-related transactions such as receipt of profit distribution, etc. Under Vietnamese laws, in order to give effect to the profit remittance overseas, it is required to obtain certain approvals (such as (i) a decision of the owner of Starite Vietnam on approving profit remittance overseas, and (ii) a written notice by the owner or Starite Vietnam, on behalf of its owner, to the relevant tax department at least 07 working days prior to any profit remittance overseas), and the profit remittance overseas must be transferred abroad through the Capital Account of Starite Vietnam.

### **The tax laws and regulations**

The tax laws and regulations in Vietnam cover all types of taxes applicable in Vietnam, including the corporate income tax (“**CIT**”), the value-added tax (“**VAT**”), the business registration tax, the import/export tax, the personal income tax, the foreign contractor tax. In general, the different specific tax laws provide the different tax rates, which together with the general tax management law provide the key principles for tax obligation determination, registration, declaration, payment by the tax payers and tax finalisation by the relevant tax authorities. Out of the tax laws and regulations, the CIT Law and the VAT Law, both dated 03 June 2008 (as amended from time to time), are the most important tax laws, which have the most significant influences on the business operations of all types of companies established and existing in Vietnam, including Starite Vietnam. Under Vietnamese Laws after the foreign invested company (like Starite Vietnam) has paid the CIT in

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accordance with Vietnamese Laws, the profits distributed to the institutional owner (like the owner of Starite Vietnam i.e. Wealthcorp) of the foreign invested company shall not be subject to any withholding tax in Vietnam. Please see the short summary of CIT Law and VAT Law below for details:

### **The CIT Law**

According to the CIT Law, except for the incomes which are exempted from the CIT as provided in the CIT Law, taxable income comprises income earned from activities of manufacturing and other taxable income. Pursuant to the CIT Law, the standard CIT rate from 1 January 2014 until 31 December 2015 is 22%, and from 1 January 2016 onwards, is 20%. Subject to the satisfaction of certain incentive criteria, relevant CIT incentives (including preferential lower tax rate, tax exemption and 50% reduction) may be considered in some cases, to be granted certain tax payers, for certain period of time as provided by the CIT Law. In this regard, the income generating from the initial project of Starite Vietnam is entitled to certain CIT incentives: (i) the CIT at the rate of 15% of its assessable income for 12 years since the commencement date of its production (i.e. from 2008 until 2020); (ii) the CIT exemption for three years since the year having assessable income (i.e. from 2011 to 2013); and (iii) 50% reduction of CIT tax payable for 7 years thereafter (i.e. from 2014 to 2020). Under Vietnamese laws, the fiscal year follows calendar year.

### **The VAT Law**

According to the VAT Law, except for the objects which are exempted from the VAT as provided in the VAT Law, goods and services used for production, trading and consumption in Vietnam will be subject to the VAT. According to the VAT Law, there are three VAT rates applicable to different goods and services, including zero percent (0%), five percent (5%) and ten percent (10%). Foreign invested companies operating in manufacture sectors in Vietnam, like Starite Vietnam, are normally subject to the standard VAT rate of 10%.

### ***Employment, Health and Work Safety laws and regulatory***

The employment, health and work safety laws and regulations, with the backbone being (i) the Labour Code dated 18 June 2012 (as amended from time to time); (ii) Law on Employment dated 16 November 2013; (iii) Law on Social Insurance dated 20 November 2014; (iv) Law on Health Insurance dated 14 November 2008 (as amended from time to time); (iv) and Law on Occupational Safety and Hygiene dated 25 June 2015. In generally, the Labour Code provides the key principles for rights and obligations of employer/employee, employment contract, regulatory requirements of salary, working hours and rest hour, internal labour rule, working safety and health of employee etc. The Law on Employment, Law on Social Insurance, Law on Health Insurance and Law on Occupational Safety and Hygiene provide the key principles for mandatory obligation of employer and employees to make contributions for the compulsory insurance schemes (including unemployment insurance, social insurance, and health insurance).

## **OVERVIEW OF THE LAWS AND REGULATIONS OF CAMBODIA**

### **Investment Laws**

The major laws and regulations governing investment projects are the Law on Investment, promulgated on August 4, 1994 and amended in 2003 (“**Investment Law**”), and the Sub-Decree on the Implementation of the Amendment to the Law on Investment dated September 27, 2005 (“**Investment Sub-Decree**”).



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There is no restriction on foreign investment and foreign shareholding on investment projects in Cambodia under the Investment Law and Investment, except that (1) in order for a company to own freehold land, 51% or more of its shares must be held by Cambodian individuals or Cambodian entities; and (2) there are a limited number of sectors restricting both foreign and local investments, such as the production and processing of psychotropic substances and narcotic substances.

This law and the sub-decree provide investment guarantees and certain investment incentives to certain investment projects that meet the certain requirements regardless of the nationality of the investor (the “**Qualified Investment Project**” or “**QIP**”). For investment in garment, textiles, footwear, and hats are concerned, the requirements include a minimum capital investment of US\$500,000, and for investment the production of leather and related products, the minimum capital investment is lowered to US\$300,000.

An investor desiring to obtain QIP must submit an Investment Proposal to the Council for the Development of Cambodia (the “**CDC**”). If the CDC agrees to register the Investment Proposal, the CDC will issue a Conditional Registration Certificate upon preliminary acceptance of the applicant proposal, and a Final Registration Certificate upon the applicant has obtained or is deemed having obtained the other required licences and permits. A Final Registration Certificate is the documentary proof that a QIP is entitled to the investment privileges and investment incentives discussed below.

### ***Investment Privileges afforded to a QIP***

Pursuant to Investment Law and Investment Sub-Decree, an investment granted the status of a QIP by the CDC will be entitled to certain investment privileges, including investment guarantees and investment incentives.

### ***Investment Guarantee***

Under Chapter 4 of the Law on Investment, a QIP is entitled to the following investment guarantees:

- *Equal treatment.* The foreign investor of a QIP will not be treated in any discriminatory way by reason only of the investor being a foreign investor, except in respect of land as set forth in the Land Law.
- *No nationalisation.* The government will not undertake a nationalisation policy that adversely affects the private properties of a QIP.
- *No price-fixing.* The government will not fix the price of the products or the fees of the service provided by the QIP.
- *Freedom to purchase foreign currency.* The investor of a QIP is allowed to purchase foreign currency through the banking system for import and repayment of loans, payment of royalties and management fees, remittance of profits, or repatriation of invested capital.

### ***Investment Incentive***

#### ***Profit Tax Exemption***

QIPs eligible for a profit tax exemption receive a tax holiday for a certain period of time during which they need not declare any prepayment of profit tax. The duration of the profit tax exemption consists of:

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- (a) a “trigger period” (i.e. commences on the date of registration of the QIP and ends on the last day of the tax year immediately before the earlier of the (1) the tax year that the profit is first derived or (2) the third year after the QIP first earns its revenue);
- (b) three years (starts immediately from the tax year following the trigger period); and
- (c) a “priority period” (starts from the tax year immediately after the three-year period mentioned above), depending on the investment sector and the investment capital.

### *Special depreciation allowances*

Where a QIP does not elect for a profit tax exemption, it can elect for a special depreciation allowance. This entitles the QIP to deduct from its annual taxable income of the first year of the purchase or use of a tangible property for production or procession an amount equal to 40% of the capital value of new or used tangible property (movable and immovable), which are used in the production or processing of a QIP in the first year of the purchase of the tangible property or the first year of using the tangible property.

### *Import duty exemptions*

Domestic QIPs, which refer to QIPs that do not aim at export, are entitled to import duty exemption on the production equipment and construction material. Export-oriented QIPs, which refer to the QIPs that sell or transfer a proportion of their products to a purchaser or transferee outside Cambodia, and Supporting Industry QIPs, which refer to the QIPs whose products are 100% supplied to export industry instead of usually imported raw material and accessories, are entitled to import duty exemption on the production equipment, construction materials and production inputs.

A QIP investor is expected to fulfil certain ongoing compliance obligations towards the CDC, including filing of annual financial statement, filing of Certificate of Tax Obligation Satisfactory, submission of quarterly reports on the import that has been approved by the CDC and implemented by the QIP, and other investment information in accordance with the forms prescribed by the CDC.

Further, the Final Registration Certificate of a QIP may be revoked by the CDC, if the investor (i) obtained a Final Registration Certificate or a Certificate of Compliance through fraud or misrepresentation; or (ii) does not commence an Investment Activity within six months of the receipt of Final Registration Certificate. The Final Registration Certificate of a QIP may also be terminated based on the application of the QIP investor.

### **Foreign Exchange Laws**

The national currency of Cambodia is Khmer Riel (“KHR”) at approx. KHR4,000 to USD1. The Investment Law permit investors to purchase foreign currencies through the banking system and to remit abroad for (i) payment for imports and repayment of principal and interest on international loans; (ii) payment of royalties and management fees; (iii) remittance of profits; and (iv) repatriation of invested capital upon termination of investment project.

According to the Law on Foreign Exchange dated 5 August 1997 (“Foreign Exchange Law”), there is no restriction on foreign exchange operations in Cambodia, including the purchase and sale of foreign exchange and the transfer of all types of international settlements. Nevertheless, such operations must be done only through authorised intermediaries approved by the National Bank of Cambodia (“NBC”).

In practice, most of the business transactions in Cambodia are carried out in USD, although the NBC is adopting various measures to promote the use of KHR in banking activities.

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### Corporate Laws

The major corporate law in Cambodia is the Law on Commercial Enterprises (the “**Enterprise Law**”). Under the Enterprise Law, a business may be carried out in the form of partnerships and limited liability companies.

So far as a foreign investor is concerned, the foreign investor may establish business presence in Cambodia in either one of the following three forms, (i) representative office, (ii) branch, or (iii) subsidiary. The representative office and branch are agents of their principals and do not have legal personality separate from their principals. Only subsidiaries have a separate legal personality. A representative office may not regularly buy or sell goods, perform services, or engage in manufacturing, processing or construction, while a branch or a subsidiary may carry out regular business. A subsidiary can either be formed as a partnership or a limited liability company. The main difference between a branch and a subsidiary is their respective liability; that is, the liability of branch is the same as that of principal, whereas the liability of a subsidiary is not of its principal.

A limited liability company can be in the form of a private limited company and a public limited company. A private limited company may have 2 to 30 shareholders, and may not offer its shares or other securities to the public. One shareholder may form a limited company called “*single-member private limited company*”. A public limited company may, on the other hand, have more than 30 shareholders, and is authorised to issue securities to the public.

So far as a private limited company is concerned, the company must have at least one shareholder and one director. A director can be of any nationality and be a resident of any jurisdiction. There is compulsory requirement on the engagement of a registered agent or a company secretary.

A limited liability company must issue a minimum of 1,000 shares with a par value of not less than KHR 4,000 (approx. US\$1) per share, and has only one class of share unless otherwise specified in the Article of Incorporation of the company.

A limited liability company may stipulate its total number of shares, par value of shares, and classes of shares in its Articles of Incorporation. Failing such specific designation, a limited liability company must issue a minimum of 1,000 shares with a par value of not less than KHR4,000 (approx. US\$1) per share, and is deemed having only one class of share.

A limited liability company must be registered with the Ministry of Commerce (“**MOC**”) through the online registration portal at [www.businessregistration.moc.gov.kh](http://www.businessregistration.moc.gov.kh) at least 15 days prior to the commencement of operation. In 2006 a company successfully registered with the MOC receives (i) a MOC Letter of Approval, and (ii) a Certificate of Incorporation. In practice, the date on which a company receives its Certificate of Incorporation is regarded as the date the company is incorporated.

As an ongoing compliance requirement, a limited liability company is required to submit an Annual Declaration of Commercial Enterprises with the MOC on annual basis, which shall detail any changes in the corporate particulars of such company. There is no compulsory requirement for a limited company to file its annual financial statements with the MOC.

### Labour and Employment Laws

The fundamental legal instrument regulating labour and employment in Cambodia is the 1997 Labour Law (“**Labour Law**”), amended in 2007. Further, there are a significant amount of governmental regulations including sub-decrees, prakas (i.e. a Khmer colloquialism in Cambodian meaning “ministerial regulation” or

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“ministerial order”), circulars, decisions, and notices. This law and regulations are enforced by the Ministry of Labour and Vocational Training (“MLVT”) and its specific Department of Labour and Vocational Training (“DLVT”) at municipal and provincial level.

The Labour Law oversees the labour-related relations between employers and employees resulting from employment contracts to be performed within the territory of Cambodia. It applies to every enterprise of industry, mining, commerce, crafts, agriculture, services, land or water transportation, whether public, semi-public or private, non-religious or religious; whether they are of professional education or charitable characteristic as well as the liberal profession of associations or groups of any nature whatsoever. However, the Labour Law does not apply to household servants, unless otherwise expressly specified under this law, and persons permanently employed by the state including judges, civil servants, personnel of the police, army and military police.

### ***Labour Contract***

There are two types of labour contract, namely, Fixed Duration Contract (“FDC”) and Unfixed Duration Contract (“UDC”). The FDC is a written contract specifying the starting date and the ending date, but the duration of this contract cannot exceed 2 years. The FDC is terminated at the specified ending date. However, it can be terminated before the ending date, provided that both parties are in agreement in written form in the presence of Labour Inspector of the MLVT and signed by both parties to the contract. The UDC can, on another hand, be in writing or verbal, and has no specified ending date. It can be terminated at will by either party of the contract, yet the termination, if made by will of employer, is subject to a valid reason relating to the employee’s aptitude or behavior, based on the requirements of the operation of the company.

### ***Labour Advisory Committee***

Under the Labour Law, a Labour Advisory Committee (“LAC”) is required to be established under the MLVT. The LAC consists of the MLVT, or his representative, a number of representatives of relevant ministries; the equal number of representatives from the workers’ unions that are the most representative at the national level, and of representatives from the employers’ organisations that are the most representative at the national level. The mission of the LAC is primarily to study problems related to labour, the employment of workers, wages, vocational training, the mobility of labour force in the country, migrations, the improvement of the material and moral conditions of workers and the matter of labour health and safety.

### ***Minimum Age***

The minimum age for regular employment is 15. Minors aged from 12 to 15 years may be allowed to do light work if the work does not affect their compulsory education or harm their physical or mental development.

### ***Minimum Wage***

The Labour Law provides that the wage must be at least equal to the guaranteed minimum wage; that is, it must ensure every worker of a decent standard of living compatible with human dignity. To date, the nation-wide minimum wage has not been set. As of 1 January 2018, the minimum wage for textile, garment and footwear sector for a regular employment is US\$170 per month.

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### ***Working Hours***

The working hour cannot exceed 8 hours per day, or 48 hours per week. Employers are allowed to set forth the working schedule for different jobs based on the nature of their activities and organisation of work. When the working schedule consists of split shifts, the enterprise's management can normally set up only two shifts, one in the morning and the other in the afternoon.

Overtime work must not exceed 2 hours a day and employers are required to get permission from the MLVT. The overtime work is compensated at an increased rate of 50%. Working overtime at night between 22:00 to 05:00 or weekly time off is compensated at an increased rate of 100%.

### ***Leaves***

Employees are entitled to, among others, paid annual leave to be given by the employer at the rate of 1.5 work days of paid leave per month of continuous service, or 18 days of annual leave, plus paid leave for public holidays pursuant to the prakas issued annually by the MLVT.

### ***Foreign Employment***

Investors are free to hire foreign employees in accordance with the labour and immigration laws, but a number of hiring in the company cannot exceed 10% of the total number of Cambodian nationals. This rate is divided into 3 categories of foreign employees: 3% for office employees; 6% for skilled employees; and 1% for non-skilled employees. Further, those foreign employees must obtain (i) an employment card and work permit issued by the MLVT, (ii) a valid visa and residence permit, and (iii) a health certificate issued by the MLVT.

If the need of foreign employees is over 10% of the company's hiring, a request letter shall be addressed to the MLVT mentioning in details the position, specialty, or professional skills of each foreign employee who will be hired, and the actual reason of such hiring. Foreign employees are allowed to remit their wages and salary abroad in any foreign currency following the payment of all applicable taxes.

### ***Trade Union and Employer Association***

Trade Union is a professional organisation of employees established to promote the interests of, and protecting the rights of employees. It is formally governed by the Labour Law, of which some provisions are now replaced with the Law on Trade Union 2016 ("Law on Trade Union"). The Law on Trade Union aims to (i) provide for the rights and freedoms of enterprises or establishments, and all persons who fall within the provisions of the Labour Law as well as personnel serving in the air and maritime transportation; and (ii) set forth the organisation and functioning of the professional organisations of employees and employers in Cambodia. This law addresses fundamental rights and obligation, the registration, the operations, dissolution, and dispute settlement of a union or an employer association. According to this law, the union may be established in three different forms, including, *firstly*, a local union formed by at least ten employees; *secondly*, a union federation formed by at least seven registered local unions; and *thirdly*, a union confederation or a coalition of union federation(s) formed by at least five registered union federations.

Furthermore, the Law on Trade Union also sets out the provisions concerning the representation by most representative status of union, and the special protection on the representatives. It also requires that enterprises or establishments where at least eight employees are employed, employer is obliged to organise an election for shop stewards as the only representative within enterprise or establishment, and the mandate of the elected shop steward is two years, and may be re-elected.

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### Social Security Contribution Laws

The Law on Social Security Schemes for Persons Defined by the Provisions of the Labour Law (“Law on Social Security”) dated September 2012 is a main legal instrument aiming to establish social security schemes for persons under the Labour Law. This law addresses the occupational risk scheme and pension scheme. To date, the occupational risk and health care scheme are being implemented by the National Social Security Fund (“NSSF”), while the pension scheme is yet to be implemented. The NSSF is a public organisation providing social security insurance to persons defined by the Labour Law; it registered enterprises or establishment, collects contributions, manages funds and provide benefits to its members.

All enterprises or establishment must register with the NSSF (previously only those enterprises hiring eight or more employees were obliged to register). The registration deadlines are set out: (i) for enterprises that are operating, but have not yet registered with the NSSF, the registration deadline is 31 December 2017; (ii) for enterprises that have been incorporated after 10 November 2017, the enterprises should register with the NSSF within 30 days of opening the enterprise; and (iii) for companies that have already register with the NSSF for the Occupational Risk and Health Care Schemes, no further action need be taken.

Employers are obliged to pay contributions to the NSSF for occupational risk and health care schemes for all employees. In occupational risk scheme the contribution rate is approx. 0.8% of employee’s monthly salary (approx. KHR 9,600) whereas in health care scheme the contribution rate is approx. 2.6% of employee’s monthly salary (approx. KHR 31,200).

### Environmental Protection Laws

Environmental protection, particularly the issue of Environmental Impact Assessment (“EIA”) becomes one of the key framework for factory operation in Cambodia. To date, the main legal framework for this environmental matter is the Law on Environmental Protection and Natural Resource Management dated 1996 (“**Law on Environment**”). This law is followed by the Sub-Decree on Environmental Impact Assessment Process dated 1999 (“**EIA Sub-Decree**”), the Sub-Decree on Solid Waste Management and the Sub-Decree on Control of Air Pollution and Noise Disturbance, and other regulations.

The Law on Environment aims to, among others, protect and promote environmental quality and public health through the prevention, reduction, and control of pollution; and assess the environmental impact of all proposed projects prior to the issuance of a decision by the Royal Government. This law requires that an environmental impact assessment needs to be done on projects and activities, private or public.

The nature and size of the projects which are subject to EIA are spelt out in the EIA Sub-Decree. To name a few, those projects include leather tanning, garment and textile, plastic, rubber and chemical, metal processing industrials, etc. The project owners must prepare and submit an initial EIA or full EIA report for their proposed projects for review and approval by the Ministry of Environment (“**MOE**”) before they commence the project. In practice, in lieu of an EIA, the project owners may be required to enter into a separate environmental protection contract with the MOE to undertake that the project owners firmly comply with environmental regulations and are liable for any negative environmental impact. Further, the project owners need to make payment to the Environmental Endowment Fund managed by the MOE.

### Tax Laws

Taxpayers are classified into three categories: small taxpayer, medium taxpayer, and large taxpayer. That the taxpayer falls within one of these categories depends on certain factors, including annual turnover, business form and business activities of a taxpayer, i.e. a taxpayer with annual turnover of from KHR250 million (approx. US\$62,500) to KHR700 million (approx. US\$175,000) is considered as a small taxpayer; a taxpayer with annual



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turnover of from KHR 700 million (approx. US\$175,000) to KHR2 billion (approx. US\$500,000) is considered as a medium taxpayer; and a taxpayer with annual turnover exceeding KHR2 billion (approx. US\$500,000) is considered as a large taxpayer. The taxpayer is obliged to register with the tax administration within 15 working days following the commencement of their business activities.

### ***Tax on Income***

According to the Law on Taxation (“LoT”), Tax on Profit (“ToP”) is assessed on incomes of resident taxpayers from worldwide sources and non-residence taxpayers on their incomes from Cambodian sources. The standard rate of ToP for a legal person is 20%, except (i) oil and natural gas production sharing contracts and exploitation of natural resources including timber, ore, gold and precious stones, are taxed at 30%; (ii) QIPs during the tax exemption period determined by the CDC are taxed at 0%; and (iii) insurance companies from insurance or reinsurance of risks in Cambodia are taxed at 5% on gross premiums.

### ***Prepayment of Tax on Profit***

An enterprise liable for ToP has the obligation to pay a monthly prepayment of ToP at the rate of 1% of turnover, inclusive of all taxes except Value Added Tax (“VAT”), realised in the previous month.

### ***Additional Tax on Dividend Distribution***

For a QIP, distribution of dividend out of the profit that has enjoyed ToP exemption during its tax exemption period is subject to an Additional Tax on Dividend Distribution currently taxed at 20% of the dividend distributed.

### ***Withholding Tax***

Payments from a resident taxpayer to a resident taxpayer are subject to Withholding Tax (“WHT”) at the rate ranging from 4% to 15%.

Payments from a resident taxpayer to a non-resident taxpayer is subject to 14% WHT of the amount paid on (i) interest; (ii) royalties, rent and other incomes connected with the use of property; (iii) compensation for management or specific technical services to be determined by the Ministry of Economy and Finance (“MoEF”); and (iv) dividends.

### ***Value Added Tax***

Value Added Tax (“VAT”) is applicable to the supply of goods and services. The rates of VAT are (i) 0% for goods exported from Cambodia and services consumed outside Cambodia; and (ii) 10% for all supplies other than exports and non-taxable supplies.

### ***Property Tax***

Property Tax (“PT”) applies to immovable property, including land and buildings, having the value in excess of KHR100 million (approx. US\$25,000) at the rate of 0.1% of the value of property determined by the MoEF. Owners, possessor, or final beneficiaries of immovable property may be liable for property tax. A final beneficiary includes anyone with right to use the property, i.e. long-term lessees. The tax base is the value of land, house, buildings and other constructions built on the land less KHR100,000,000.



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## REGULATORY OVERVIEW

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### **Tax Penalties**

Any taxpayer failing to comply with LoT and existing regulations is subject to penalty, of which the level depends on the nature of violation, ranging from 10% to 40% of the tax amount due, along with the interest charged at 2% per month.

### **OVERVIEW OF THE LAWS AND REGULATIONS OF TAIWAN**

#### **Taxation – Business Tax, Income Tax, and Withholding Tax**

Pursuant to the Value-added and Non-value-added Business Tax Act (增值型及非增值型營業稅法), sales and importation of goods and/or services in Taiwan shall be subjected to business tax. Currently, the value-added business tax rate that applies to general industries is 5%. Pursuant to the Income Tax Act (所得稅法), a profit-seeking entity will in principle be subjected to 20% income tax for its taxable income if its income exceed NTD500,000. An offshore profit-seeking entity will be taxed for its Taiwan source income only. A domestic profit-seeking entity, including a subsidiary incorporated in Taiwan, will be taxed for its Taiwan source income and offshore income. All payments of dividends, interest, and royalties to the foreign entity are subject to 21% withholding tax unless there is an applicable tax treaty that offers preferential withholding rates, which is not seen between Taiwan and Cayman.

#### **Foreign Exchange Control**

Exchange controls in Taiwan are subject to the Foreign Exchange Control Act (管理外匯條例) and the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions (外匯收支或交易申報辦法) and governed by the Central Bank of the Republic of China (中央銀行) (“**CBC**”). In accordance with the abovementioned regulations, a company could process the foreign exchange settlements regarding export or import of goods or service delivery after filling out a declaration statement. Each foreign exchange remittance exceeding NTD500,000 should be declared to the CBC according to above-mentioned regulations. The prior approval from CBC is necessary where essential remittances by a company when its annual aggregate settlement amount of foreign exchange purchased or sold has exceeded USD50,000,000.

#### **Employment**

The minimum requirements and standards of employment terms and conditions of Taiwan are set forth in the Labour Standards Act (勞動基準法). The current minimum wage determined by the Taiwan Ministry of Labour (勞動部) is NTD22,000 per month, or NTD140 per hour. Employers must contribute a proportion of the required depository amount to the funds of labour pensions, labour insurance and national health insurance for its employees according to the Labour Standards Act, the Labour Pension Act (勞工退休金條例), Labour Insurance Act (勞工保險條例), and the National Health Insurance Act (全民健康保險法).

#### **Foreign Investment**

According to the Statute for Investment by Foreign Nationals (外國人投資條例), foreign investors must apply for an foreign investment approval(s) from the Investment Commission of the Taiwan Ministry of Economic Affairs (經濟部投資審議委員會) if they are to (i) establish a branch office, a proprietary business or a partnership in Taiwan; (ii) own shares or invest in the capital of a non-publicly traded Taiwanese company; or (iii) provide loans to the aforementioned businesses for a period exceeding one year.

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## REGULATORY OVERVIEW

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### OVERVIEW OF THE LAWS AND REGULATIONS OF MACAU

#### (a) Laws and Regulations relating to offshore business in Macau

As an authorised commercial offshore company, the Company shall comply with all the regulations and conditions stated under the Law of Offshore Business, including that the Company is not allowed to conduct any trade or business activities with residents of Macau or carry through any transactions in Patacas except such transactions which are necessary for the constitution or operation of the commercial offshore company. The Law of Offshore Business further regulates that the Company shall adopt and prepare its financial statements in accordance with the generally accepted accounting principles of Macau and must be operated at a single location.

Furthermore, the Law of Offshore Business specially prohibits the Company to proceed with any operations and activities reserved to the credit institutions, financial companies, financial agencies and insurers by laws of Macau or provide any services to any parties besides its subsidiary institution or branch office.

The Company shall submit the annual accounting and audit reports with the related audited financial statements to the IPIM every accounting period. Otherwise, the authorisation of offshore services will be revoked; moreover, fine and cautious measures will be imposed in accordance with the Law of Offshore Business.

As the Company is established as an offshore company in Macau according to the Law of Offshore Business, provisions regarding the taxation as stated in the Law of Offshore Business is applicable to the Company and accordingly, the Company is exempt from the Macau taxes, including profit tax arising out of or in connection with the offshore business and industrial tax, in addition, since there is no dividend withholding tax chargeable under the tax regime in Macau, dividend withholding taxes are not applicable to the Company.

The Company has complied with all the legal requirements of the laws and regulations relating to offshore business in Macau based on the due diligence works and the certificate issued by IPIM, no penalties were levied on the Company and there were no actual or threatened legal proceedings against the Company.

#### (b) Taxation

Under the Macau Laws, a company registered in Macau should comply with the tax regime of Macau, including the payment of the Industrial Tax and the Profit Tax. Given that the Company is established as an offshore company in Macau, the Company is exempt from Macau taxes under the Law of Offshore Business.

#### (c) Laws and Regulations relating to labour matters in Macau

The legal regime in relation to labour matters in Macau is mainly based on the following legislations:

14th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) partially revoked by Law No. 6/2015;

22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) rectified by Decree Law No. 40/89/M;

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## REGULATORY OVERVIEW

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18th of February 1991 – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

27th of July 1998 – Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) amended by Law No. 21/2009;

2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) amended by Law No. 21/2009;

14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) partially revoked by Law No. 21/2009;

18th of August – Law No. 7/2008 (Labour Relation Law) amended by Law No. 2/2015 and Law No. 10/2015;

15th of October – Law No.21/2009 (Law of Hiring non-residents workers) amended by Law 4/2010 and Law 4/2013;

17 of August – Law No. 4/2010 (Social Security System).

The legal regime of labour matters in Macau is developed based on 27th of July 1998 – Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects.

In addition to the above-mentioned legislations, 18th of August – Law No. 7/2008 (Labour Relation Law) plays an important role in the labour legal regime which has become effective since 1 January 2009 and has replaced the “old labour law” – 3rd of April 1989 – Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be waived by mutual agreement. All the working conditions of labour relations should not be worse than the basic conditions stipulated in such law.

The employer shall comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees, failing which fine and cautious measures will be imposed on the employer according to 18th of February 1991 – Decree Law No. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to the statutory requirements stipulated under 17th of August – Law No. 4/2010 (Social Security System) and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), the employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on the employer as legal sanction.

All employees of the Company are required to be permanent or non-permanent Macau residents and holders of work permits in case of foreign workers. Hiring of non-resident workers by the employer shall comply with the 15th of October – Law No. 21/2009 (Law of Hiring non-resident workers), and the employer is required to obtain the work permits for foreign workers.

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Except for certain limited situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) workers other than Macau residents or holders of work permits will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August – Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Affairs Bureau of Macau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

### OVERVIEW OF THE LAWS AND REGULATIONS OF HONG KONG

#### **Inland Revenue Ordinance**

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) is a statute enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, amongst other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stands as at the Latest Practicable Date at 16.5% for corporate taxpayers. The Inland Revenue Ordinance also contains detailed provisions relating to, amongst other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets. As our Group carries on businesses in Hong Kong, we are subject to the profits tax regime under the Inland Revenue Ordinance.

As stipulated by section 80(2) of the Inland Revenue Ordinance, a person commits an offence if he or she, without reasonable excuse, (i) makes an incorrect tax return by omitting or understating anything; (ii) makes an incorrect statement in connection with a claim for any tax deduction or allowance; or (iii) gives any incorrect information in relation to any matter or thing affecting his or her (or some other person’s) tax liability. Such a person is liable on conviction to a fine of up to HK\$10,000 and a further fine of three times the amount of tax which has been undercharged as a consequence. However, no person shall be liable to any penalty under section 80 of the Inland Revenue Ordinance unless the complaint concerning such offence was made within six years of the year of assessment concerned.

If no prosecution is made under section 80(2) of the Inland Revenue Ordinance, the person who has committed an offence under such sections is liable to additional tax of an amount not exceeding three times the amount of tax which has been undercharged as a result and shall not be liable to be charged on the same facts with an offence as described in the paragraphs above. However, before making an assessment of additional tax payable, the commissioner or deputy commissioner, as the case may be, shall cause notice to be given to the person he proposes so to assess, and shall inform such person of the alleged incorrect return, statement or information, and include a statement that such person has the right to submit written representations to him regarding the proposed assessment on him of additional tax.

### OVERVIEW OF THE LAWS AND REGULATIONS OF THE UNITED STATES

#### **Laws and regulations relating to product liability and product safety**

##### ***Product liability law***

In the United States, product liability law is the area of civil law which governs private lawsuits by a person injured by a consumer product such as a backpack seeking recovery of money damages. Any person or entity involved in the design, manufacture, distribution or sale of a product may potentially have liability to a

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consumer who suffers injury caused by a product. Product liability is a matter of state law in the United States, and there is no federal products liability law. While each state has its own body of product liability law, with individual variations in specific aspects of the law, the general framework of the law is similar in every state. In general, there are four basic theories of recovery: (i) strict products liability; (ii) negligence; (iii) breach of warranty; and (iv) tortious misrepresentation or fraud. A litigant is not limited to one theory in bringing the lawsuit, but rather can assert any and all theories simultaneously. In order for any of these types of claims to be brought, a court in the U.S. (including any state court) must have jurisdiction over the foreign entity.

Strict products liability is generally the most common product liability cause of action. Strict products liability claims do not depend on the degree of care exercised by the defendant. The legal analysis turns on whether the product was defective at the time it left the hands of the manufacturer. In a strict products liability claim, it is irrelevant whether the manufacturer or supplier exercised all due care in the design, manufacture, or marketing of the product; if there is a defect in the product that causes harm, he or she will be liable for it. In this respect, strict liability claims are different than negligence claims, which require a showing of a failure to exercise due care. Thus, strict product liability is liability without fault for an injury proximately caused by a product that is defective and not reasonably safe. There are generally three types of product defect: a design defect, a flaw inherent in the design or specifications of a product which affects each product manufactured to that design or specifications; a manufacturing defect, that is, the failure of the product to conform to design specifications or performance standards, or deviation in some material way from otherwise identical units of the same product line; or a failure to warn claim, the lack of adequate instructions or warnings concerning foreseeable hazards. Again, a litigant is not limited to just one of these theories of product defect, but may assert any or all of them in the alternative.

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

A breach of warranty claim is based on a promise, claim, or representation made about the quality, type, number or performance of a product. In general, the law assumes that a seller always provides some kind of warranty concerning the product he sells and that the seller should be required to meet the obligation created by the warranty. For the most part, the law that governs the sale of goods, in general, and warranties, in particular, is uniform from state to state. The law that governs the sale of goods is Article 2 of the Uniform Commercial Code – or, as it is typically referred to, the UCC. The UCC has been adopted in every state. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement. The seller of a product may disclaim or limit warranties under the UCC. A breach of warranty claim generally requires privity, so that a company which manufactures a product but does not sell it to the ultimate consumer will not have liability for a breach of warranty claim by the consumer.

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Finally, tortious misrepresentation or fraud is similar to breach of warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. Such claims may give rise not only to compensatory damages but also punitive or exemplary damages.

### ***Product safety regulations***

Pursuant to the U.S. federal Consumer Product Safety Act (“CPSA”), the U.S. Consumer Product Safety Commission (the “CPSC”) has jurisdiction over the safety of certain “consumer products” sold to the public. The CPSC is an administrative agency of the U.S. federal government that regulates certain classes of products sold to the public. Backpacks fall under its jurisdiction. Product safety law operates *ex ante*, meaning that it seeks to prevent product-caused accidents and diseases before they occur. The Consumer Product Safety Improvement Act of 2008 (“CPSIA”) was passed by Congress in 2008. The CPSIA constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into distributed in the United States. Products imported into the U.S. which fail to comply with CPSIA’s requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. Customs agents, its jurisdiction does not extend beyond the territorial limits of the United States.

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

The CPSIA specifies that certification must be based on a “test of each product or a reasonable testing program.” The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must also be furnished to United States Customs. And, if requested by the commission, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

In addition to general conformity certification and third-party testing for certain issues, the CPSIA mandated tracking labels beginning in August 2009 for those products considered “children’s products.” Specifically, the CPSIA requires that “the manufacturer of a children’s product shall place a permanent, distinguishing mark on the product and its packaging, to the extent practicable, that will enable the manufacturer to ascertain the location and date of production of the product, cohort information (including the batch, run number, or other identifying characteristic), and any other information determined by the manufacturer to facilitate ascertaining the specific source of the product by reference to those marks.”

### ***California specific regulations***

In addition to the regulatory scheme imposed on the Federal level and state based claims, it is important to note that state regulations can also control the distribution of imported products into the United States. The most significant of those are California regulations. California’s Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 et seq., commonly known as “Proposition 65”) requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Various phthalates which can be used in plastics and vinyl (BBP, DEHP, DBP, DnHP, DIDP, and DINP) are among the chemicals so regulated. Exposures requiring a warning include those that may occur from handling a product or



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its packaging. This statute and the related regulations apply to all consumer products, whether or not regulated by the FDA. Under Proposition 65, enforcement for failure to provide an appropriate warning is brought about either by government authorities in California or by private enforcers and may result in fines of up to US\$2,500 per day per item sold. In a wide-reaching settlement of an action involving a variety of phthalate-containing products, dozens of product manufactures agreed, in addition to payment of substantial penalties, to promulgate the so-called “3P standards” (“a maximum concentration, by weight, of DEHP, BBP and DBP, each, of 1,000 parts per million (ppm) or less in any poly vinyl chloride, soft plastic, other vinyl or synthetic leather component”). Recent settlements of private enforcement claims have also set 1,000 ppm or 0.1% of weight as the level for various phthalates in non-child focused products, below which a warning is not required. Products that may be used by children could be subject to an even lower level. Overseas manufacturers are not exempt from these Proposition 65 requirements if their products are sold in California.

### OVERVIEW OF THE LAWS AND REGULATIONS OF THE NETHERLANDS

#### Product safety laws in the Netherlands

The Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (“**EU GPSD**”) applies to products (new, used or refurbished) that can be used directly by consumers. The EU GPSD lays down a general safety requirement on any product that is put on the EU market for consumers or is likely to be used by them. In the Netherlands, the EU GPSD is implemented, amongst others, in the Commodities Act Decree on General Product Safety (*‘Warenwetbesluit algemene productveiligheid’*) (“**Dutch Product Safety Decree**”).

In addition to the basic and general requirement to place only safe products on the market, producers must:

- (a) provide consumers with the necessary information in order to assess a product’s inherent health and safety risks during the duration of its normal or to be expected use, particularly when these risks are not obvious; and
- (b) take the necessary and proportionate measures to be informed about possible health and safety risks and to avoid such risks (e.g. withdrawing products from the market, informing consumers, recalling products which have already been supplied to consumers, etc.).

Distributors must:

- (a) monitor the safety of products on the market and refuse to distribute products if they know these products are non-compliant; and
- (b) provide the necessary information on product risks and keep and provide documents ensuring that the origin of the products can be traced.

If the producers or the distributors discover that a product is dangerous, they must immediately notify the competent authorities and, if necessary, cooperate with them.

#### EU REACH Regulation

The Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency (“**EU REACH Regulation**”) requires companies manufacturing or importing chemical substances into the EU in quantities of one tonne or more per year to register these substances with the European Chemicals Agency (“**ECHA**”).



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Any producer or importer of articles must submit to the ECHA registration for any chemical substance contained in those articles, if both of the following conditions are met:

- (a) the substance is present in those articles in quantities totalling over one tonne per producer or importer per year; and
- (b) the substance is intended to be released under normal or reasonably foreseeable conditions of use.

Our products fall within the scope of the definition of articles as laid down in the EU REACH Regulation. However, since the substance is not intended to be released under normal or reasonably foreseeable conditions of use, neither the producer nor the importer are under an obligation to submit registration.

The EU REACH Regulation also details specific restrictions on certain dangerous substances used in articles which are manufactured, used and placed on the EU market and pose an unacceptable risk to human health or the environment. These substances and the specific restrictions on the use of these substances are listed in Annex XVII of the EU REACH Regulation.

Our products do not contain any substances prescribed in Annex XVII of the EU REACH Regulation.

Furthermore, the EU REACH Regulation regulates substances which are of particular concern because they may have very serious effects on human health and the environment. These substances are listed on the 'Candidate List of Substances of Very High Concern for Authorisation' ("**Candidate List**").

An article producer or importer has to notify the ECHA about a substance in the articles when all of the following conditions are met:

- (a) the substance is included in the Candidate List;
- (b) the substance is present in articles produced and/or imported at a concentration of above 0.1% (w/w); and
- (c) the total amount of the substance present in all articles produced and/or imported, which contain more than 0.1% (w/w) of the substance, exceeds 1 tonne per year for the producer/importer.

Our products do not include substances that are present in the Candidate List.

The obligations under the EU REACH Regulation are directed to manufacturers, producers, distributors and importers. We do not qualify as a manufacturer, producer, distributor or importer under the EU REACH Regulation. However the obligations of the EU REACH Regulation apply to any party that distributes or imports our products in or into the EU.

### EU Textile Regulation

Regulation 1007/2011 of the European Parliament and of the Council of 27 September 2011 on textile fibre names and related labelling and marking of the fibre composition of textile products ("**Textile Regulation**") applies to all products containing at least 80% by weight of textile fibres, including raw, semi-worked, worked, semi-manufactured, semi-made, and made-up products.

All such products shall only be made available on the market provided that such products are labelled, marked or accompanied with commercial documents in compliance with the Textile Regulation (*i.e.* indication of textile fibre names or fibre composition).

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The indication of textile fibre names or fibre composition on the labels and markings of textile products listed in Annex V to the Textile Regulation is not required. Annex V includes amongst others the following products: fancy goods and saddlery, of textile materials; travel goods of textile materials; make-up cases; and toilet cases.

Furthermore, the presence of non-textile parts of animal origin in textile products shall be indicated by using the phrase ‘Contains non-textile parts of animal origin’ on the labelling or marking of products containing such parts whenever they are made available on the market.

When placing a textile product on the market, the manufacturer shall ensure the supply of the label or marking and the accuracy of the information contained therein. If the manufacturer is not established in the EU, the importer or distributor shall ensure the supply of the label or marking and the accuracy of the information contained therein. While we do not qualify as a manufacturer under the Textile Regulation, we are subject to the obligations of the Textile Regulation which apply to any party that distributes or imports our products in or into the EU.

### **Product liability in the Netherlands**

The directive of the Council of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (85/374/EEC) (“**Product Liability Directive**”) lays down the principle that the producer of a product is liable for the damage that was caused by a defect in its product. The Product Liability Directive has been implemented in the laws of the Netherlands and the provisions are contained in Book 6, Title 3, Chapter 3, articles 185-193 of the Dutch Civil Code (“**DCC**”).

According to these laws, a product is defective if it fails to provide the safety from which a person is entitled to expect, taking into account all circumstances, including the presentation of the product, the reasonable use of the product, and the time when the product was put into market circulation. The injured person carries the burden of proof. He or she must prove:

- (a) the actual damage;
- (b) the defect in the product;
- (c) the causal relationship between the damage and the defect.

However, he or she does not have to prove any negligence or fault of the producer or importer. The producer would only not be held liable if it proves any of the following:

- (a) it did not put the product into circulation;
- (b) the defect appeared after the product was put into circulation;
- (c) the product was not manufactured to be sold or distributed for profit;
- (d) the product was neither manufactured nor distributed during its business;
- (e) the defect is caused by the product’s compliance with mandatory regulations specified by the public authorities;

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- (f) the state of scientific and technical knowledge at the time when the product was put into circulation was insufficient to identify the defect (at that time); or
- (g) the defect of a component was caused during the manufacturing of the final product.

Product liability based on aforementioned legislation only arises from:

- (a) damage caused by death or by personal injuries; or
- (b) damage caused to another asset which is ordinarily intended for private use or consumption and was used by the injured person mainly for his own private use or consumption. A threshold of € 500 is applicable.

However, the injured person's right to claim damages from the producer arising from the Dutch legislation on product liability does not affect any other statutory or contractual rights (actions) or remedies he or she might have (i.e. arising out of tort law). We could, as a producer, ultimately be held liable for damages caused by a defective product.

### OVERVIEW OF THE LAWS AND REGULATIONS OF ENGLAND AND WALES

#### Laws and regulations relating to product safety

##### *General Product Safety Regulations 2005 ("GPSR 2005")*

The GPSR 2005 apply to all new products, unless that product is subject to its own specific safety requirements (for example the Toy (Safety) Regulations 2011 apply to toys).

The GPSR 2005 sets out a "general safety requirement". This requirement is contained in regulation 5 and states, amongst other things, that: "*No producer shall place a product on the market unless the product is a safe product*".

"Producer" is given a wide definition to include: (i) the manufacturer of the product (when established in a Member State (of the European Union)); (ii) if the manufacturer is not established in a Member State, its representative (if the representative is established in a Member State), or the importer of the product from a state that is not a Member State into a Member State; and, (iii) all other professionals in the supply chain (insofar as their activities may impact the safety of a product).

A "safe product" is, in short, a product which under normal (or reasonably foreseeable) conditions of use does not present any risk, or only the minimum risks compatible with the use of that product. When considering whether a product is "safe", its characteristics (amongst other things) will be taken into account.

Failure to comply with certain obligations contained in the GPSR 2005 can lead to fines and imprisonment. Enforcement of the obligations within the GPSR 2005 is, in England, by an "enforcement authority" (which includes county and district councils).

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### **Laws and regulations relating to product quality**

#### ***Consumer Rights Act 2015 (“CRA 2015”)***

Consumers (being an individual acting outside of their business or profession) benefit from the protections contained in the CRA 2015. The CRA 2015 requires goods sold to consumers to be of satisfactory quality, to be fit for their intended purpose, to match the description made available and to match any sample or model displayed prior to sale.

In circumstances where the product falls below the satisfactory quality, fit for purpose, matching description, matching sample threshold, consumers have various rights including: (i) the right to reject the product; (ii) the right to a repair/replacement; and/or (iii) the right to a price reduction. In addition, consumers may have a right to claim damages.

The above rights are enforceable by consumers against the “trader” (being a person acting in relation to their trade, business, craft or profession (either personally or through another person acting in the trader’s name or on the trader’s behalf)).

#### ***Sale of Goods Act 1979 (“SGA 1979”)***

Business customers (who are not protected by the consumer rules referred to above) are entitled, pursuant to the SGA 1979, to receive goods that are of satisfactory quality and fit for purpose. Further, goods should match any description made available and, if a sample is provided prior to sale, should match the sample provided.

The requirements as to quality of product and fitness for purpose and matching of description and/or sample may be excluded in the relevant contract. However, such an exclusion clause is only enforceable if it is considered to be reasonable (and the rules on what is “reasonable” are found in the Unfair Contract Terms Act 1977).

### **Laws and regulations relating to product liability**

#### ***Consumer Protection Act 1987 (“CPA 1987”)***

For damage caused by a defective product, consumers (not business) can claim under the CPA 1987. The CPA 1987 creates what is known as “strict liability” offences (meaning that liability in relation to consumers cannot be excluded and a consumer, to bring a claim, does not need to demonstrate that there has been a breach of any duty of care).

For a claim to be successful under the CPA 1987, a consumer must be able to show that: (1) a product was “defective”; (2) the consumer has suffered damage; and (3) the “defective” product caused the damage. Generally, a product is defective if its safety is “*not such as persons generally are entitled to expect*”. The factors looked at when considering whether a product is “defective” include: (1) the manner/purpose in which the product has been marketed; (2) instructions for use and applicable warnings; (3) what consumers might reasonably be expected to use the product for; and (4) the market at the time of the product’s sale.

Claims brought under the CPA 1987 can be brought against a number of different parties, including the manufacturer/producer of the “defective” product, the distributor, the supplier (if different persons), and the importer into the European Union. The remedy under the CPA 1987 is for compensatory damage and there is no

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## REGULATORY OVERVIEW

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limit to the amount recoverable. It should be noted that to bring a claim under the CPA 1987 the damages claimed (be that personal injury or property damage) must be in excess of £275. Claims under that amount are excluded under the CPA 1987.

### ***Common law***

If a product is defective and causes damage or loss of some kind, consumers may be in a position to bring a common law claim in negligence against the manufacturer/producer.

In short, for a claim in negligence to be successful a consumer must show: (i) the manufacturer/producer owed them a duty of care; (ii) the manufacturer/producer breached that duty of care; (iii) the breach caused the relevant damage; and (iv) the manufacturer/producer could reasonably have foreseen that damage.

## **OVERVIEW OF THE LAWS AND REGULATIONS OF JAPAN**

### **Product Liability Act of Japan**

The Product Liability Act of Japan (Act No. 85 of July 1, 1994; the “PLA”) enables parties who suffer loss of life or damage to person or property caused by defective products to bring claims against the “manufacturers, etc.” of such products. The term “manufacturers, etc.” is broadly defined in the PLA, and it includes OEM providers. Further, under the PLA, “defect” means a lack of safety that a product ordinarily should provide, taking into account the nature of the product, the ordinarily foreseeable manner of use of the product, the time when the “manufacturer, etc.” delivered the product, and other circumstances concerning the product. Defects can be design defects, manufacturing defects, or insufficient warning and instruction. There are various voluntary industry standards for bags in Japan that address certain requirements concerning the strength of straps, fastness to rubbing, among other matters, for example.

As such, our Company, being an OEM provider and covered by the PLA, could be a defendant in a product liability litigation concerning our products if they are alleged to be defective and to have caused injury.

### **Laws on the Labeling of Consumer Products**

There are many laws and regulations regarding labeling of consumer products in Japan. For example, the Household Goods Quality Labeling Act of Japan (Act No. 104 of May 4, 1962, as amended; the “HGQLA”) sets forth labeling requirements for certain household goods. Bags which are made of cowhide, horse leather, pigskin, sheepskin, or goat skin are regulated under the HGQLA. In addition, the Act against Unjustifiable Premiums and Misleading Representations of Japan (Act No. 134 of May 15, 1962, as amended) generally prohibits false representation, and the Unfair Competition Prevention Act of Japan (Act No. 47 of May 19, 1993, as amended; the “UCPA”) generally prohibits unfair representation. Although compliance obligations with labeling regulations in the first place belongs to the entity that distributes the product in the Japanese market, in the event any labeling non-compliance is attributable to our Company, our Company could be liable for damages.

### **Consumer Product Safety Act of Japan**

The Consumer Product Safety Act of Japan (Act No. 31 of June 6, 1973, as amended; the “CPSA”) sets forth rules regarding the collection and provision of information regarding consumer product accidents in order to prevent and mitigate danger to life or body caused by consumer products, and thereby protecting the interest of general consumers. “Consumer Products” for purposes of the CPSA are those which are “supplied mainly for use by general consumers for their routine everyday activities.”

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## REGULATORY OVERVIEW

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Although there is not any specific standard set for product categories under the CPSA, because an outdoor backpack is a “Consumer Product” under the CPSA if an accident that causes danger to life or body of general consumers occurs, an importer who imported the relevant “Consumer Products” into Japan will be obligated to collect and disclose information regarding that accident and/or make a report regarding the accident to the relevant authority. Accordingly, our Company, as an OEM manufacturer outside of Japan, may be required to cooperate with a Japanese importer of our products to assist in this collecting and reporting obligation, and potentially the costs thereof, depending on the contractual arrangement between the importer and our Company.

### **Intellectual Property**

Intellectual property rights may be under the following Japanese laws with regards to backpacks: the Patent Act of Japan (Act No. 121 of April 13, 1959, as amended); the Utility Model Act of Japan (Act No. 123 of April 13, 1959, as amended); the Design Act of Japan (Act No. 125 of April 13, 1959, as amended); the Trademark Act of Japan (Act No. 127 of April 13, 1959, as amended); the Copyright Act (Act No. 48 of May 6, 1970, as amended); and the UCPA. For patent, utility model, design and trademark rights to be granted, registration at the Japan Patent Office is required. As for copyrights and trade secrets, no registration is required.

If a product to be imported to and distributed in the Japanese market infringes any intellectual property right of a third party in Japan which is recognised by any of those laws, the third party may bring a claim against the party or parties marketing the product in Japan. If any such infringement is attributable to our company, our Company could be liable for damages.

### **Customs tariffs on imports**

Japan has customs regulations applicable to the importation of our backpacks and bags into the country. These customs rules and regulations vary according to the origin and the final destination of the products.

Japan has entered into several economic partnership agreements (“EPA”) that reduce or avoid the imposition of tariffs, however. As of December 2017, Japan has effective EPAs with Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, Philippines, Switzerland, Vietnam, India, Peru, Australia and Mongolia that, depending on the actual OEM products and the origin of the product involved, so reduces or avoids the tariff.

### **Anti-dumping regulations**

General anti-dumping legislation in Japan arises from Article 8 of the Customs Tariff Act of Japan Law (Act No. 54 of 1910) as well as Ordinance No. 416 of 1994 and the guidelines thereunder.

As of January 2018, there have been no published decisions by the Japanese government with respect to the introduction of anti-dumping duties, nor have any anti-dumping investigations been initiated by the government, with respect to backpack products originated from any foreign country or custom union.

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## HISTORY AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### Overview

We are a leading manufacturer that designs, develops and manufactures recreational bags and packs, which are mainly backpacks, and provides quality supply chain management services for renowned global brands. According to the CIC Report, we are the third largest player in the global bags and packs manufacturing industry and the largest player in the global recreational bags and packs manufacturing and SCM market in terms of sales revenue in 2017, with market shares of 4.0% and 5.5% respectively. Our Group was founded by Mr. Yeung, who has over 40 years of experience in the manufacturing industry, through the establishment of Prosperous TW on 16 September 1970 in Taiwan, with his own financial resources. In the early years, our Group was principally engaged in the trading and exporting of gifts and homewares, and later expanded our product range to include luggage, sport bags, laptop cases and cosmetic bags. Throughout the years, we expanded and started manufacturing bags and packs for customers on an OEM basis and established our first factory in the PRC in 1997.

#### Business Milestones

Set out below are our major business milestones and achievements:

<b>Year</b>	<b>Event</b>
1970	Mr. Yeung founded our Group through the establishment of Prosperous TW.
1970-early 1990's	Our Group had been principally engaged in the trading and exporting business, and established Starite HK and Prosperous HK in early 1990's with an aim to capture more purchase orders for worldwide export.
1994	We secured our first purchase order from a sizeable multinational sportswear and accessories company headquartered in Germany and listed on the "Deutsche Boerse" Stock Exchange in Frankfurt, which was our third largest customer in FY2017.
1997	We commenced production at our first production plant at Liaobu Town, Xixi Industrial District, Dongguan, the PRC* (中國東莞市寮步鎮西溪工業區) in our Dongguan Production Base.
1999	We secured our first purchase order from a globally renowned young and casual backpacks brand of our second largest customer in FY2017, which is an international apparel, footwear, accessories and backpack company headquartered in the U.S. and listed on the New York Stock Exchange.
2004	We expanded our Dongguan Production Base with the establishment of our second production plant at Dongkeng Town, Junda Industrial Park, Dongguan, the PRC* (中國東莞市東坑鎮駿達工業園).



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## HISTORY AND CORPORATE STRUCTURE

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<b>Year</b>	<b>Event</b>
2007	We launched our proprietary brand of bags and packs, PROMAX.
2008	We established our Vietnam Production Base at Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam*.
2009	We secured our first purchase order from an international performance apparel, footwear and accessories company headquartered in the U.S. and listed on the New York Stock Exchange, which was our largest customer during the Track Record Period.
2010	We established our Jiangxi Production Base at Xinfeng County Industrial Park, Jiangxi, the PRC* (中國江西省信豐縣工業園).
2015	We established our Guangzhou Production Base at Nancun Town, Panyu, Guangzhou, the PRC* (中國廣州市番禺區南村鎮).
2017	<p>We rebranded our proprietary brand as MAISON PROMAX, an entry-level luxury fashion brand of bags and packs with elements inspired by French design.</p> <p>We commenced our expansion into Cambodia and entered into a lease agreement with an Independent Third Party for a site area in Qi-Cang Industrial Park, Srok Angsnoul, Kandal Province, Cambodia and factory buildings constructed thereon for the establishment of the first plant of our Cambodia Production Base.</p>
2018	We commenced our production at the first plant of our Cambodia Production Base.

### CORPORATE DEVELOPMENT AND STRUCTURE

#### **Our Company**

Our Company was incorporated on 18 February 2004 in the Cayman Islands with limited liability. At the time of incorporation, the initial authorised share capital of our Company was US\$1,000,000 divided into 1,000,000 shares of US\$1 each. On 18 February 2004, one subscriber share of our Company was issued to the subscriber, which was subsequently transferred to Prosperous BVI. On the same day, 999,999 shares of our Company were allotted and issued to Prosperous BVI at the issue price of US\$1 per share and our Company became 100% beneficially owned by Prosperous BVI.

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## HISTORY AND CORPORATE STRUCTURE

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On 11 May 2004, 300,000 shares of our Company were transferred from Prosperous BVI to Great Pacific pursuant to the joint venture agreement dated 7 May 2004 entered into between Prosperous BVI and the members of the Yeung Family, its then shareholders and Great Pacific. Great Pacific is a wholly-owned subsidiary of Yue Yuen, a company incorporated in Bermuda whose shares are listed on the Stock Exchange (stock code: 551). Yue Yuen is principally engaged in the business of manufacturing and sales of footwear products, and retail and distribution of sportswear and apparel products which includes the operating and leasing of large scale commercial spaces to retailers and distributors. Yue Yuen entered into the joint venture with, among others, members of the Yeung Family and Prosperous BVI to acquire 30% interest in our Company to expand its group's supply chain service into sports accessories to match with the key product categories of its major customers, and that with the new joint venture, it can provide meaningful returns in the medium term. Our Company is then owned as to 70% by Prosperous BVI and 30% by Great Pacific.

On 19 June 2018, the authorised share capital of our Company was increased by HK\$1,000,000,000 divided by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each, ranking *pari passu* in all respects with the then existing shares of our Company. Immediately following such increase, the authorised capital of our Company was US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each and HK\$1,000,000,000 divided into 100,000,000,000 Shares each with par value of HK\$0.01 each.

On the same day, our Company allotted and issued 546,000,000 Shares to Prosperous BVI at par value for HK\$5,460,000 and 234,000,000 Shares to Great Pacific at par value for HK\$2,340,000, which were set-off against and funded out of the repurchase price payable by our Company for the repurchase of 700,000 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$700,000 from Prosperous BVI and 300,000 shares of our Company with par value of US\$1.00 each from Great Pacific for a total repurchase price of US\$300,000. The shareholding of Prosperous BVI and Great Pacific in our Company remains at 70% and 30%, respectively.

Following the said repurchase, all authorised but unissued share capital of our Company was diminished by cancellation of all the unissued share capital of our Company with par value of US\$1.00 each in the share capital of our Company. After such cancellation, our share capital was HK\$1,000,000,000 divided into 100,000,000,000 shares with par value of HK\$0.01 each.

Yue Yuen and Great Pacific will be a substantial shareholder of our Company upon the Listing. Other than its investment in our Company, our non-executive Directors, Mr. Lu Chin-Chu, is an executive director and chairman of Yue Yuen and the president of Pou Chen Corporation, and Mr. Tsai Nai-Yung is the vice president of Pou Chen Corporation. Pou Chen Corporation is a company incorporated in Taiwan, whose shares are listed on the Taiwan stock exchange (stock code: 9904 TSE), and a controlling shareholder of Yue Yuen. We are also expected to have certain connected transactions with Pou Sung Vietnam, a wholly-owned subsidiary of Yue Yuen, upon the Listing. See "Continuing Connected Transactions" in this prospectus for further details. Other than these relationships, there are no other relationship between our Group and Yue Yuen upon the Listing.

## HISTORY AND CORPORATE STRUCTURE

### Material Subsidiaries of our Company

The detailed information of each member of our Group that made a material contribution to our results of operations during the Track Record Period is shown below:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Principal business	Shareholding percentage attribute to our Group
Glorieux HK	Hong Kong	5 May 2004	Trading of sport bags, handbags and luggage bags	100%
Prosperous HK	Hong Kong	21 June 1994	Trading of sport bags, handbags and luggage bags	100%
Starite HK	Hong Kong	23 December 1992	Trading of sport bags, handbags and luggage bags	100%
RGL	Macau	2 August 2002	Trading of sport bags, handbags and luggage bags	100%
Guangzhou Glorieux	PRC	5 March 2004	Bag product development and design	100%
Dongguan Zerong	PRC	19 March 1996	Manufacturing and sale of sport bags, handbags and luggage bags	100%
Dongguan Excellence	PRC	7 December 2004	Manufacturing and sale of sport bags, handbags and luggage bags	100%
Xinfeng	PRC	8 April 2010	Manufacturing and sale of bags and packs	100%
Guangzhou Kengtou	PRC	25 March 2015	Manufacturing and sale of sport bags, handbags and luggage bags	100%
Starite Vietnam	Vietnam	2 January 2008	Manufacturing and sale of sport bags, handbags and luggage bags	100%

The major corporate developments of our Company and each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

### Glorieux HK

Glorieux HK, formerly known as Glorieux International Limited (澤榮國際有限公司), was incorporated on 5 May 2004 in Hong Kong with limited liability and commenced business in November 2005. Upon incorporation, one share was allotted and issued to Mr. Yeung at the consideration of HK\$1, which was determined with reference to the then par value of the allotted share of HK\$1 per share. On 21 May 2004, Glorieux HK changed its name to Glorieux International (H.K.) Limited (澤榮國際(香港)有限公司). On 8 July 2004, Mr. Yeung transferred the 1 share in Glorieux HK to our Company at the consideration of HK\$1, which was determined with reference to the then par value of the allotted share of HK\$1 each. Since then and up to the Latest Practicable Date, Glorieux HK has been wholly owned by our Company.

### Prosperous HK

Prosperous HK was incorporated on 21 June 1994 in Hong Kong with limited liability and commenced business in March 1999. Upon incorporation, 3,500, 3,500, 2,000 and 1,000 shares were allotted and issued to Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung and Mr. Philip Yeung, respectively, which was determined with reference to the then par value of the allotted shares of HK\$1 per share. On 26 April 2004, each of Mr. Yeung,

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## HISTORY AND CORPORATE STRUCTURE

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Mrs. Yeung, Mr. Herman Yeung and Mr. Philip Yeung transferred their respective shareholdings to our Company, at a consideration of HK\$3,500, HK\$3,500, HK\$2,000 and HK\$1,000, respectively, which was determined with reference to the then par value of the allotted shares of HK\$1 each. Since then and up to the Latest Practicable Date, Prosperous HK has been wholly owned by our Company.

### **Starite HK**

Starite HK was incorporated on 23 December 1992 in Hong Kong with limited liability and commenced business in December 1992. Upon incorporation, 3,500, 3,500, 2,000 and 1,000 shares were allotted and issued to Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung and Mr. Philip Yeung, respectively, which was determined with reference to the then par value of the allotted shares of HK\$1 per share. On 26 April 2004, each of Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung and Mr. Philip Yeung transferred their respective shareholdings to our Company, at a consideration of HK\$3,500, HK\$3,500, HK\$2,000 and HK\$1,000, respectively, which was determined with reference to the then par value of the allotted shares of HK\$1 each. Since then and up to the Latest Practicable Date, Starite HK has been wholly owned by our Company.

### **RGL**

RGL, formerly known as Top Cover Industries (Macao Commercial Offshore) Limited (藝峻實業(澳門離岸商業服務)有限公司), was incorporated in Macau with limited liability on 2 August 2002, with an initial capital of MOP\$100,000. At the time of its incorporation and up to 2 October 2013, it was wholly-owned by Top Cover Industries Limited, and from 3 October 2013 to 8 April 2015, it was wholly-owned by Riches Top Limited, both of whom are independent third parties. On 10 April 2015, Riches Top Limited transferred the entire shareholding in RGL to Sun Prime BVI pursuant to a shares transfer agreement dated 9 April 2015 at a consideration of HK\$3,700,000, which was determined through arm's length negotiation. Since then and up to the Latest Practicable date, RGL has been wholly-owned by Sun Prime BVI.

On 18 June 2014, RGL changed its name to RGL International Macao Commercial Offshore Limited (富一國際澳門離岸商業服務有限公司). RGL commenced business in April 2016.

### **Guangzhou Glorieux**

Guangzhou Glorieux was incorporated in the PRC as a wholly-foreign owned enterprise on 5 March 2004, with an initial registered capital of HK\$100 million and commenced business in August 2009. Since its incorporation, Guangzhou Glorieux has been wholly-owned by Glorieux Industrial (China).

Before the Track Record Period, there were various changes in the registered capital and paid-up capital of Guangzhou Glorieux and as at the commencement of the Track Record Period, the registered capital of Guangzhou Glorieux was HK\$92 million. There were no changes during the Track Record Period and as at the Latest Practicable Date, the registered capital of Guangzhou Glorieux had been paid up.

### **Dongguan Zerong**

Dongguan Zerong, formerly known as Dongguan Qitailong Bag Ltd.\* (東莞啟泰隆箱包有限公司), was incorporated in the PRC as a sino-foreign joint venture on 19 March 1996, with an initial registered capital of HK\$10 million. Upon establishment, the shareholding of Dongguan Zerong was owned as to 75% by Luxe Mark International Limited (立標國際有限公司) and 25% by Dongguan Liaobu Xixi Supply and Marketing Company\* (東莞市寮步西溪供銷公司), both of whom are Independent Third Parties. The business of Dongguan Zerong was commenced in March 1998.

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## HISTORY AND CORPORATE STRUCTURE

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On 22 August 1997, upon approval of Dongguan Foreign Economic and Trade Commission\* (東莞市對外經濟貿易委員會), Dongguan Qitailong Bag Ltd.\* (東莞啟泰隆箱包有限公司) changed its name to Dongguan Zerong Bag Ltd.\* (東莞澤榮箱包有限公司).

Since the establishment of Dongguan Zerong and up to before the Track Record Period, there were various changes in its registered capital and shareholding. As at the commencement of the Track Record Period, the registered capital of Dongguan Zerong was HK\$26 million and Starite BVI was its sole shareholder.

During the Track Record Period, there was an increase in the registered capital of Dongguan Zerong from HK\$26 million to HK\$27 million on 29 January 2016. As at the Latest Practicable Date, Starite BVI remains the sole shareholder of Dongguan Zerong and the actual paid up capital of Dongguan Zerong is HK\$25.4 million (with an outstanding amount of HK\$1.6 million). However, the outstanding amount has been recognised as fully paid with the relevant PRC governmental authorities due to historical reasons. Starite BVI may make payment of the outstanding amount once such payment becomes feasible in the future. As confirmed by Starite BVI, it will make the payment of HK\$1.6 million when the payment is possible.

### **Dongguan Excellence**

Dongguan Excellence was incorporated in the PRC as a wholly-foreign owned enterprise on 7 December 2004, with an initial registered capital of HK\$10 million and commenced business in July 2005. Since its incorporation, Dongguan Excellence has been wholly-owned by Portwin.

On 27 January 2016, the registered capital of Dongguan Excellence was increased from HK\$10 million to HK\$50 million. On 7 February 2018, the registered capital of Dongguan Excellence was reduced from HK\$50 million to HK\$10 million. As at the Latest Practicable Date, the registered capital of Dongguan Excellence had been fully paid up.

### **Xinfeng**

Xinfeng was incorporated in the PRC as a wholly-foreign owned enterprise on 8 April 2010, with an initial registered capital of US\$3 million and commenced business in October 2010. Since its incorporation, Xinfeng has been wholly-owned by Advanlink. As at the Latest Practicable Date, the registered capital of Xinfeng had been fully paid up.

### **Guangzhou Kengtou**

Guangzhou Kengtou was incorporated in the PRC as a wholly-foreign owned enterprise on 25 March 2015, with an initial registered capital of US\$2 million and commenced business in July 2015. Since its incorporation, Guangzhou Kengtou has been wholly-owned by Grand One. As at the Latest Practicable Date, the registered capital of Guangzhou Kengtou had been fully paid up.

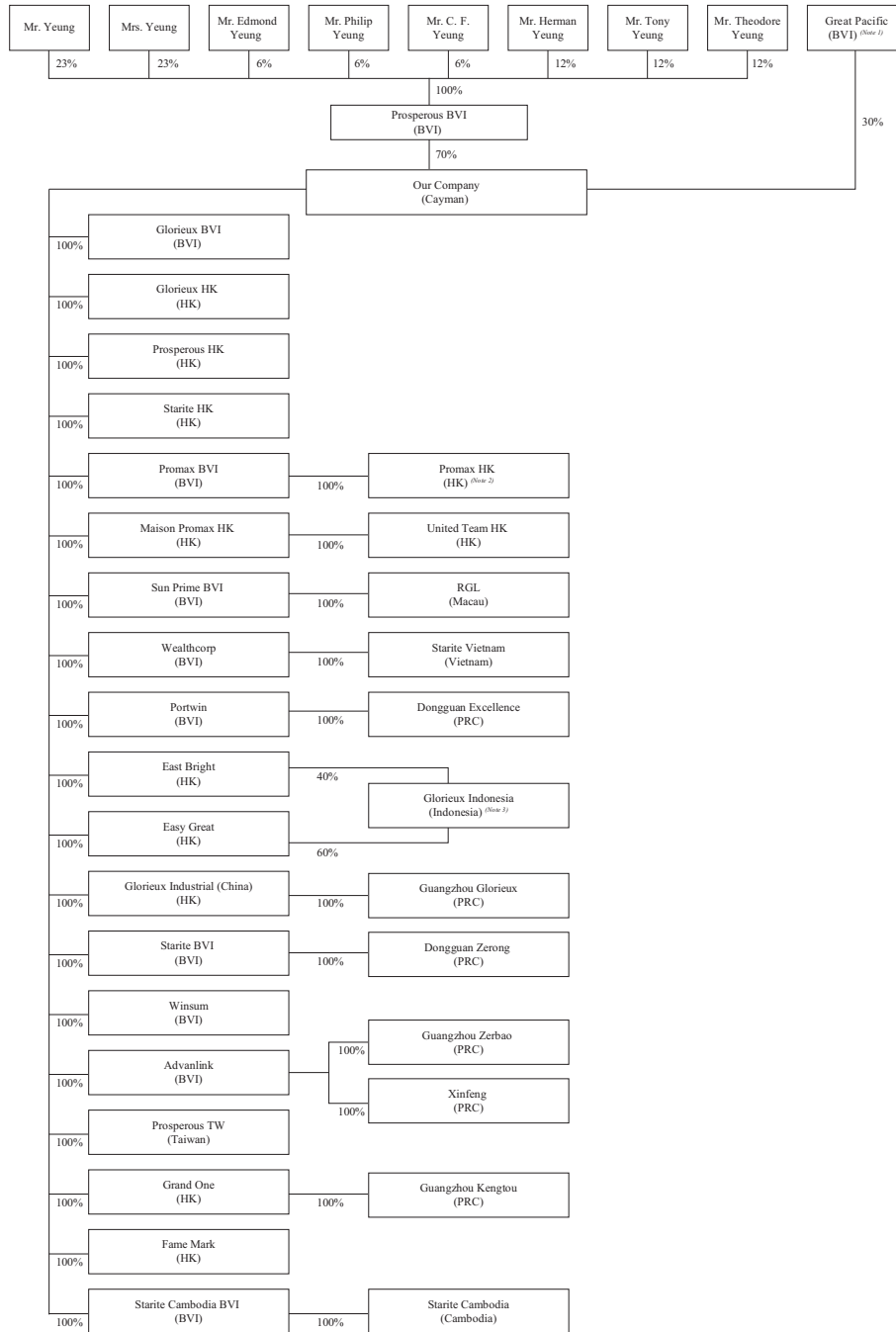
### **Starite Vietnam**

Starite Vietnam was incorporated in Vietnam on 2 January 2008 with limited liability with registered charter capital of VND40,125,000,000 (equivalent to US\$2,500,000) and commenced business in the same year. Since its incorporation, Starite Vietnam has been wholly-owned by Wealthcorp.

# HISTORY AND CORPORATE STRUCTURE

## SHAREHOLDING STRUCTURE OF OUR COMPANY

The following chart sets out the corporate and shareholding structure of our Group immediately before the completion of the Global Offering:

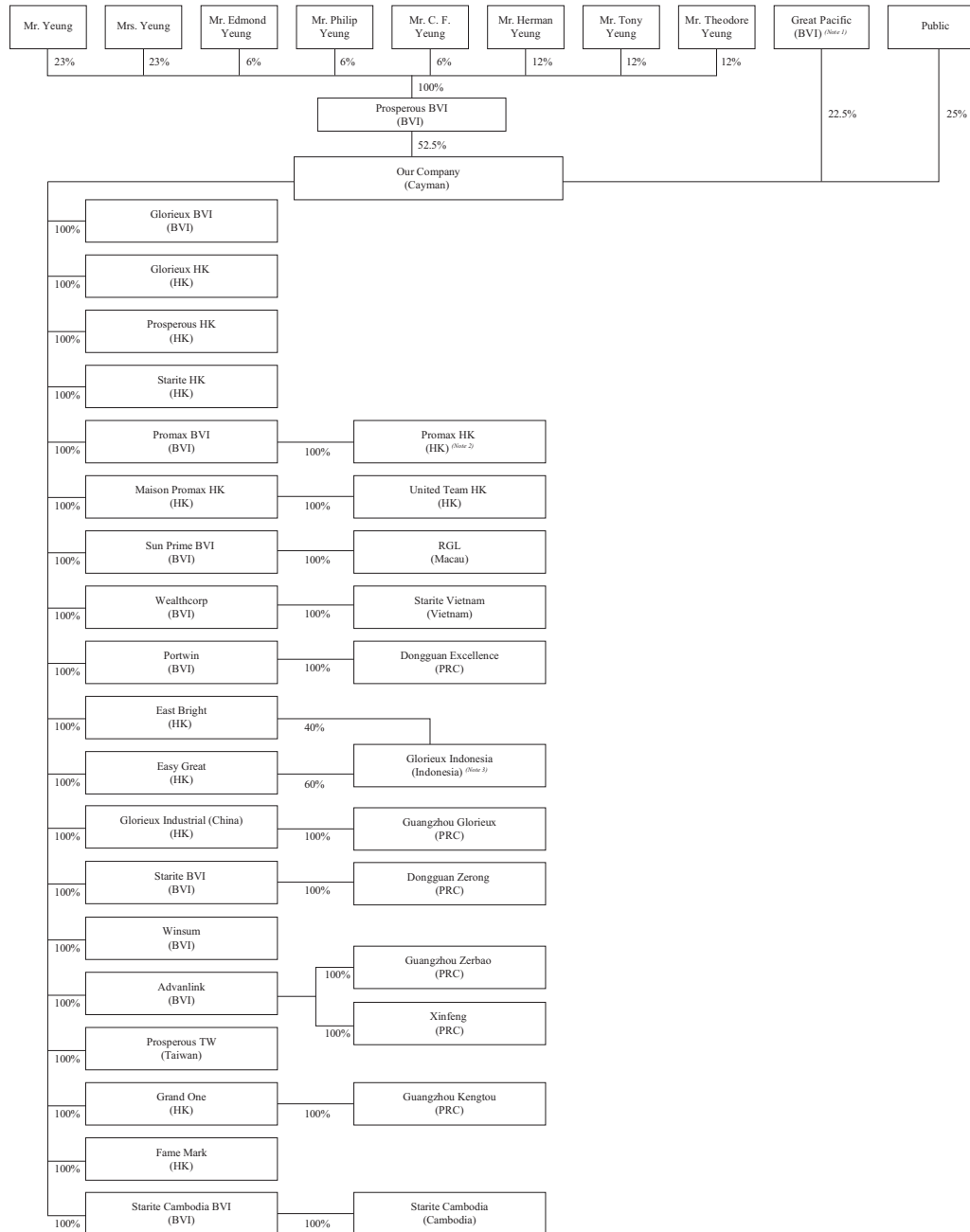


**Notes:**

- (1) Great Pacific is a wholly-owned subsidiary of Yue Yuen.
- (2) Promax HK is under the process of deregistration due to no business activities.
- (3) We incorporated the Glorieux Indonesia at the time for a potential expansion. As the expansion did not materialise, we commence the liquidation process to close the company. In the process of voluntary dissolution as at the Latest Practicable Date.

## HISTORY AND CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised at all):



*Notes:*

- (1) Great Pacific is a wholly-owned subsidiary of Yue Yuen.
- (2) Promax HK is under the process of deregistration due to no business activities.
- (3) We incorporated the Glorieux Indonesia at the time for a potential expansion. As the expansion did not materialise, we commence the liquidation process to close the company. In the process of voluntary dissolution as at the Latest Practicable Date.



## BUSINESS

### OVERVIEW

We are a leading manufacturer that designs, develops and manufactures recreational bags and packs, which are mainly backpacks, and provides quality supply chain management services for renowned global brands. According to the CIC Report, we are the third largest player in the global bags and packs manufacturing industry and the largest player in the global recreational bags and packs manufacturing and SCM market in terms of sales revenue in 2017, with market shares of approximately 4.0% and 5.5% respectively.

Unlike traditional OEM or ODM manufacturers that focus on certain stages of the production process, we are able to provide our customers with high value-added and integrated PDM and SCM services ranging from product development, product design optimisation, raw material recommendation and development, prototyping, production management, quality control to logistics and delivery. Leveraging on our product design and development capabilities and manufacturing knowhow accumulated over the past 20 years, our PDM business model has enabled us to develop and/or enhance structural and functional designs to meet the increasingly sophisticated needs of our customers, and has helped position us as a value-creator at the front-end of the supply chain. As a PDM, we are not only a supplier to our major customers but also their product development partner. During the Track Record Period, we had developed business relationships with over 40 apparel or travel accessories brand owners and their business partners, among which our five largest customers with whom we have cooperated for a period ranging from 9 to 24 years were internationally renowned sports and lifestyle brand owners mainly headquartered in the U.S., Germany and Italy. According to the CIC Report, among the top ten largest brand owners for fashion & casual and outdoor & sporting bags and packs which together captured an aggregate market share of approximately 34.3% in terms of retail sales in 2017, our Group has formed long-term supply relationship with seven of them. During the Track Record Period, our revenue from sales of bags and packs manufactured for brand owner customers were approximately US\$223.3 million, US\$217.9 million and US\$256.2 million in FY2015, FY2016 and FY2017 respectively, which accounted for over 98% of our total revenue in each of these financial years.

To build on our operating history and product design and development knowhow, we introduced PROMAX, our proprietary brand of bags and packs in 2007 and rebranded it as MAISON PROMAX, which we positioned as an entry-level luxury fashion brand of bags and packs and small leather goods with elements inspired by French design in 2017, and had established six department store concession counters in premium locations in Taiwan, an outlet store in Taoyuan City, Taiwan, and an online retail store as of 31 December 2017 for retail sales under our proprietary brand. For FY2015, FY2016 and FY2017, our revenue from sales of our proprietary branded products represented 1.0%, 1.2% and 0.9% of our total revenue respectively.

The following table sets forth the breakdown of our revenue by destination of delivery of our products during the Track Record Period:

Geographical location <sup>(Note)</sup>	FY2015		FY2016		FY2017	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(US\$'000)	(%)	(US\$'000)	(%)	(US\$'000)	(%)
North America	117,947	52.3	117,500	53.3	124,943	48.3
Asia	64,454	28.6	60,051	27.2	80,850	31.3
Europe	35,632	15.8	33,980	15.4	44,890	17.4
South America	5,117	2.3	5,449	2.5	5,301	2.1
Oceania	1,932	0.9	1,895	0.9	2,282	0.9
Africa	260	0.1	1,582	0.7	232	0.0
Total	<u>225,342</u>	<u>100.0</u>	<u>220,457</u>	<u>100.0</u>	<u>258,498</u>	<u>100.0</u>

Note: This provides a geographical breakdown of our revenue by destination of delivery. Please see “Customers – Export Destinations and Sales Locations” in this section below for more details.

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## BUSINESS

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According to the CIC Report, the global bags and packs manufacturing and SCM industry is highly fragmented. To maintain our competitiveness amidst such industry challenges, we have established large-scale and flexible manufacturing capabilities through our multi-regional manufacturing platform consisting of six manufacturing facilities in the PRC, Vietnam and Cambodia. From our first overseas manufacturing facility established in Vietnam in 2008, to our new Cambodia Production Base that has been put into operation in February 2018, we have developed substantial experience in operating manufacturing facilities overseas and have established a systemic set of industry leading manufacturing processes aimed at enhancing production efficiency. For instance, through our recent launch of the lean manufacturing model at our Vietnam Production Base in 2017, we have been continuously optimising our production process and shortening internal lead time to raise our production efficiency in Vietnam. Our multi-regional manufacturing platform, coupled with our overseas production management experience, have enabled us to navigate through preferential import tariffs and international trading policy benefits, and enjoy benefits from lower manufacturing costs and more abundant skilled labour, thereby allowing us to offer products at more competitive ex-factory prices to our customers with higher speed to market, and to support their strategies to venture into new markets, which we believe have reinforced our relationships with our existing major customers and enhanced our ability to attract potential ones.

In this connection, with the commencement of operations of our Cambodia Production Base in February 2018, our Group's annual production capacity is expected to increase to meet the expected growing demand of our customers. Moreover, as bags and packs exported from Cambodia enjoyed preferential tariff treatment in the member states of the E.U., U.S., and Japan, and Cambodia is one of the ASEAN countries with the lowest manufacturing labour costs in 2017 according to the CIC Report, our Directors believe that our expansion into Cambodia has enabled us to better serve our customers in terms of fulfilling their varying requirements including desired ports of shipment, to enjoy and capitalise on the lower labour costs in Cambodia among other ASEAN countries, and to diversify production risks and minimise the impact of production disruptions in any one of our production bases on the overall production capacity of our Group.

### **OUR COMPETITIVE STRENGTHS**

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

#### **Leading market position with established customer base comprising renowned multinational sports and lifestyle brands**

According to the CIC Report, among the top ten largest brand owners for fashion & casual and outdoor & sporting bags and packs which together captured an aggregate market share of approximately 34.3% in terms of retail sales in 2017, our Group has formed long-term supply relationship with seven of them, including (i) an international performance apparel, footwear and accessories company headquartered in the U.S. and listed on the New York Stock Exchange, (ii) an international apparel, footwear, accessories and backpack company headquartered in the U.S. and listed on the New York Stock Exchange, which offers a broad spectrum of lifestyle products under more than 30 brands, (iii) a sizeable multinational sportswear and accessories company headquartered in Germany and listed on the "Deutsche Boerse" stock exchange in Frankfurt, and (iv) a lifestyle product designer and manufacturer listed on the Milan Stock Exchange. We believe this is a testament to our consistently high product quality, and strong product development and other SCM capabilities. Moreover, we have been certified by our major customers as their trusted business partners to produce products under their labels, most of which have been associated with us for more than nine years as at the Latest Practicable Date. Through providing these customers with high value-added and integrated solutions for product development and large-scale manufacturing, including the development of raw materials, product structure and functionality, and production techniques, we had been closely collaborating with them in successfully delivering many of their products and had been awarded by certain major customers for our innovation, reliability, quality and manufacturing excellence.

Our long-term relationships and collaborations with our customers have not only strengthened our skills, capabilities and experience in product research, design, development and manufacturing, but also provided us with the opportunity to participate in the research and development of new raw materials, products and production techniques and hence enabled us to capitalise on our knowledge and experience in respect of those new initiatives as a first mover, which have empowered us to uphold our market position, further enhance market competitiveness and differentiate ourselves from our competitors.

As many of our major customers are internationally renowned sports and lifestyle brand owners who place high emphasis on maintaining product quality and consistent supplies, they are, as observed by CIC, by nature very sticky in terms of their pre-existing cooperation with manufacturing and SCM companies. We thus believe our long standing and strong relationships with our major customers cannot be easily replicated by other bags and packs manufacturers, and has reinforced our reputation as one of the globally leading bags and packs manufacturers and SCM services providers. This will enable us to attract new customers globally and expand our business with our existing customers as demand in the global bags and packs retail market continues to grow, thereby bolstering our leading market position. According to the CIC Report, in terms of sales revenue in 2017, we ranked third in the global bags and packs manufacturing industry and first in the global recreational bags and packs manufacturing and SCM market, with market shares of approximately 4.0% and 5.5% respectively.

### **Multi-regional manufacturing platform consisting of large-scale and flexible manufacturing facilities**

We have established a multi-regional manufacturing platform consisting of six manufacturing facilities with 200 production lines spanning across the PRC, Vietnam and Cambodia as at the Latest Practicable Date, which we believe has positioned us well to capture an increasing share of the anticipated continuous growth in the global bags and packs market. According to the CIC Report, with rising living standards and the increasing popularity of outdoor activities, global retail sales for bags and packs have grown rapidly, increasing from US\$17.9 billion in 2013 to US\$24.2 billion in 2017, representing a CAGR of 8.4%. This growth momentum is expected to continue in the years ahead, with the retail sales value for bags and packs projected to reach US\$32.4 billion by 2022.

We produced approximately 21.1 million, 23.4 million and 25.3 million pieces of bags and packs in total for FY2015, FY2016 and FY2017 respectively and our production capacity ranked third among global leading bags and packs manufacturing and SCM providers in terms of product volume in 2017 according to the CIC Report. Our large-scale manufacturing facilities and high production capacity allow us to achieve economies of scale and cost-effectiveness in our operations, thus enhancing our bargaining power to negotiate more favourable prices and lowering our per unit fixed production costs. Entry into the global recreational bags and packs manufacturing and SCM industry and expansion of existing industry players in terms of production capacity and geographic spread of manufacturing facilities require heavy capital investment. With our sizeable manufacturing capabilities, we continue to enjoy cost advantages over other competitors.

Our multiple production lines, large production scale and diversified production locations have also provided us with the flexibility to allocate our customers' purchase orders to our production bases taking into account of their production capacity, product development and SCM capabilities, labour skills, and trade benefits that are available to our customers' export destinations. In this way, we believe we are able to better serve our customers in terms of fulfilling their varying requirements on order size, design and technical specifications and shipment, and enable us to strengthen our long-term relationship with our customers and to continue to grow our market share. Such flexibility in our production arrangements also allows us to diversify production risks. For instance, we are able to minimise the impact of production disruptions in one of our production locations, such as labour shortage or uncertainties in political environments, on our overall production capacity by allocating purchase orders to other unaffected

production locations. While we have significantly increased the scale of our manufacturing capabilities by establishing the Vietnam Production Base and the Cambodia Production Base to process large orders, we believe we have also maintained the flexibility to adapt our production lines in the PRC for the production of more customised and complex products to meet the varying demands of our customers.

According to the CIC Report, as manufacturers like our Group with manufacturing facilities based in ASEAN countries are increasingly benefitting from the lower labour costs in those countries, bags and packs brands have been transferring an increasing share of their manufacturing volumes to bags and packs manufacturers and SCM service providers to reap low-cost advantages. Moreover, all of our production bases in our multi-regional manufacturing platform have convenient access to international shipping routes. This combination of different geographic regions provides our Group and, more importantly, our existing and potential customers with more flexible shipment options and the opportunity to lower costs by taking advantage of the lower tariffs available to our Vietnam and Cambodia production bases. For instance, the expansion of the Generalised System of Preferences Program (GSP) by the U.S. in mid-2016 has granted Cambodia duty free access for shipment of bags and packs to U.S.. In respect of shipment to member states of the E.U., Cambodia enjoys duty-free and quota-free exports of all goods (except arms and ammunition) following the adoption of the “Everything But Arms” (EBA) scheme by the E.U., and Vietnam enjoys substantial duty reductions for exports under E.U.’s Standard GSP. Exports from Cambodia and Vietnam also enjoy preferential tariff treatment from Japan pursuant to its Generalised System of Preferences Program and the Economic Partnership Agreements (EPA) respectively.

As a result, we believe the level of economies of scale and flexibility attained by our multi-regional manufacturing platform have enabled us to maintain our market competitiveness and help maximise our profitability in the foreseeable future.

### **In-depth knowhow in the manufacture of bags and packs and strong product development capabilities**

Unlike traditional OEM or ODM manufacturers that focus on certain stages of the production process, we are able to provide our customers with high value-added and integrated PDM and SCM services ranging from product development, product design optimisation, raw materials recommendation and development, prototyping, production management, quality control to logistics and delivery. Our Group’s product development personnel and facilities have been critical to the continuous development of our PDM business model. As at the Latest Practicable Date, we have established product development teams in our Dongguan Production Base and Guangzhou Production Base. Our PRC product development teams are equipped with prototyping capabilities and computer software to generate three-dimensional (3D) computer renderings of customers’ concept designs, which we believe facilitate customers’ decision-making, thereby shortening the product development phase and help our customers achieve speed to market. Our product development teams consist of over 370 personnel, who have accumulated product design, research and development experience ranging from 5 to 20 years as at the Latest Practicable Date, and has led our Group in presenting over 300 new bags and packs designs to our three largest customers in each year during the Track Record Period. Please refer to “Business Model and Business Process – Product Design and Development” in this section below for some major product design and development collaborations between our Group and certain internationally renowned brand owners, during the Track Record Period.

Our Guangzhou Production Base also consists of a raw material library containing samples and knowhow of a wide range of raw materials including but not limited to a large variety of different kinds of fabrics. With such knowhow, we are well-equipped with the knowledge of the nature and characteristics of different raw materials, which enables us to provide constructive advice on raw material choice to our customers to better achieve their design concept and intended function of the proposed product. In addition, we have jointly developed new raw materials with our customers to attain certain features or functions of

our customers' desire product designs. Please refer to "Business Model and Business Process – Product Design and Development – New Designs" in this section below for some major examples of the raw materials developed by our Group together with our customers during the Track Record Period.

The PDM business model has thus enabled us to focus on developing structural and functional designs of our products and integrate upstream and downstream industry resources to fulfil customers' varying demands and expand our product offerings. Through participating in product development collaborations with internationally renowned brand owners, we have also been able to keep abreast with latest production technologies, consumer preferences and bags and packs fashion trends, and acquire first mover advantages in launching new production technologies and designs, which provides us with significant competitive advantages and creates a barrier to entry for our competitors. With our product design and development capabilities and manufacturing knowhow accumulated over the past 20 years, we believe our PDM business model has helped position us as a product development partner of our customers and hence a value-creator at the front-end of the supply chain.

### **Established production control system to ensure high product and services quality**

Our production control system enables us to closely monitor all key stages of our manufacturing processes, and acquire greater control over efficiency, quality, costs, as well as the flexibility that is paramount to respond to changing market trends and customer requirements.

With our comprehensive production facilities, we are able to internalise and control a substantial part of our bags and packs manufacturing process, including product development, physical testing of raw materials, secondary processing, bags and packs assembling, and product conformity testing. We have invested in the development of our ERP system to help us consolidate data from each stage of our production, including our production efficiency and costs and inventory for our analysis and formulation of strategic plans to improve our manufacturing performance. For instance, with the support of our ERP system, we are able to track the status of our raw materials and finished products as well as evaluating the work efficiency of our production lines and workers on a real-time basis to improve our production efficiency and manage our production more accurately. Moreover, the ERP system enables us to respond promptly to customer requests in their product designs during product development and pre-production stages, closely monitor our production capacity and utilisation rate to enhance order planning and production scheduling, and improve accuracy of our costing and production processes.

Through employing computerised and automated production machineries such as laser cutting machines, computerised embroidery machines, fully-automatic fabric laying machines, automated packaging machines, and full scope metal detectors, we are able to standardise the relevant production processes to ensure consistency of production output, maintain a more stable production process and monitor the production schedule to better ensure timely product delivery to our customers.

As a critical element of our production control system, we impose a comprehensive and stringent quality control regime with control points at all key stages of our production process. In addition to the production line inspections performed by members of our production team, and sample checks conducted by our quality control team on our semi-finished products and final products, our testing laboratory at the Liaobu manufacturing plant in our Dongguan Production Base will also perform the final tests on sampled final products as specified by our customers before delivery. In particular, our testing laboratory had been approved by certain of our major customers to carry out their designated quality tests on our products, and our laboratory supervisor is equipped with technical skills recognised by the American Association of Textile Chemists and Colorists and the Chinese Testing And Certification Association. Please see "Quality Control" in this section below for further details.



We believe our ability to provide our customers with consistent and quality products and one-stop shop services throughout the supply chain will enable them to operate in a more cost-effective and efficient manner as they do not have to separately engage different parties to provide services at each stage in the bags and packs manufacturing supply chain, which differentiates us from other industry players who only focuses on production or are only capable of offering services in respect of certain stage(s) of the supply chain.

### **Experienced management team with in-depth industry knowledge and a proven track record of delivering business growth**

We have a stable management team with extensive knowledge and experience in the bags and packs manufacturing and related industries, which has worked with our Group for more than ten years. Our executive management team is led by (i) Mr. Herman Yeung, our executive Director and the chairman of our Board, and (ii) Mr. Philip Yeung, our executive Director, both of whom have over 20 years of experience in the recreational bags and packs manufacturing and SCM industry and have played a leading role in the Group's overall business growth. Other members of our senior management have on average more than ten years of experience and are led by (i) Mr. Edmond Yeung, our chief executive officer, who had joined us since 1997 and made valuable contributions to the strategic planning and formulation of new business initiatives of our Group, and (ii) Mr. Theodore Yeung, our chief operating officer who has over 14 years of experience in our industry with specific focus on quality control and assurance. Please see "Directors and Senior Management" in this prospectus for details of the background of our Directors and members of our senior management.

Leveraging on their foresight and in-depth industry knowledge, our management team has been able to formulate sound business strategies, assess and manage risks, anticipate changes in consumer preferences, and capture significant market opportunities.

We believe that the vision, experience, in-depth knowledge of the bags and packs manufacturing and SCM industry and entrepreneurial spirit of our management team have been pivotal to the success of our business and we will be able to continue to explore new business opportunities and strengthen our position in the market leveraging on the experience and dedication of our management team.

## **OUR STRATEGIES**

We intend to continue to strengthen our leading position in the global bags and packs manufacturing and SCM market, enhance our overall competitiveness and increase our market share in the future. To achieve these goals, we are pursuing the following principal strategies:

### **Further enhance our manufacturing capacity and flexibility by expanding our manufacturing platform in Cambodia**

As at the Latest Practicable Date, we operated six manufacturing facilities, including two manufacturing facilities at our Dongguan Production Base, and one manufacturing facility at each of our Guangzhou Production Base, Jiangxi Production Base, Vietnam Production Base and Cambodia Production Base. In FY2017, our products were produced at our PRC and Vietnam production bases, which in aggregate had an estimated annual production capacity of approximately 30.4 million pieces of bags and packs, and had an annual utilisation rate of over 80%, which had been fully utilised during our production peak season in 2017. In order to meet the anticipated increase in demand for our products and to capture business opportunities arising from the growth in the global bags and packs market, we considered it

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necessary to increase our production capacity by establishing new production facilities. Moreover, we plan to continue to explore and capture growth opportunities, expand our market share and diversify operational risks through strategic expansion of our manufacturing capacities into new geographical regions.

After taking into account of (i) the preferential tariff treatments that may benefit exports of our products from Cambodia into the U.S. and the E.U. member states given that they were amongst our top export destinations during the Track Record Period; and (ii) the second lowest labour costs for manufacturing workers in Cambodia out of the ten ASEAN members in 2016, we decided to further expand our Cambodia Production Base to capture such benefits. For more details, please see “Production Facilities – Cambodia Expansion Plan” in this section below.

We plan to establish two production plants in Cambodia (“**Plant One**” and “**Plant Two**” respectively). Plant One is expected to house 48 production lines and Plant Two is expected to house 90 production lines. We have commenced the establishment of Plant One since August 2017 by leasing a factory complex with a total site area of approximately 50,400 sq.m. and gross floor area of 28,873 sq.m. in Qi-Cang Industrial Park, Srok Angsnoul, Kandal Province, Cambodia. As at the Latest Practicable Date, 22 production lines have been set up, and have been put into operation since February 2018. We plan to gradually set up additional production lines in Plant One and to reach a total of 48 production lines by the end of 2018. We also plan to commence the establishment of our Plant Two in 2019 by leasing a parcel of land in Cambodia with planned site area of around 100,000 sq.m. for construction of Plant Two and installing production lines in Plant Two by stages with an aim to gradually set up a total of 90 fully-equipped production lines and put them into full operation by 2022. Warehousing space, staff accommodation and various ancillary facilities may also be constructed and/or expanded under our Cambodia Expansion Plan to commensurate with the expansion in operations of our Cambodia Production Base. As at the Latest Practicable Date, we have not yet identified the site or entered into any lease for the establishment of Plant Two. We intend to identify the site and enter into the lease of the land for establishment of Plant Two by the end of 2018 and complete the construction of Plant Two in stages by October 2019. It is expected that Plant Two will commence pre-production stage at the end of 2019 and commence commercial production in the first quarter of 2020. Our selection criteria of the site for establishment of Plant Two includes the following: (a) location of site; (b) cost of leasing the site; (c) size and buildable area that suits our planned scale; and (d) proximity to infrastructure.

It is estimated that the total expenses for the establishment of Plant One of our Cambodia Production Base will be approximately HK\$107.3 million, of which approximately HK\$76.1 million will be used for the lease of land and factory buildings erected thereon as well as the fitting out works of the factory premises, HK\$23.2 million will be used for the acquisition of production machinery and equipment and HK\$8.0 million will be applied on the recruitment of an experienced management team who shall be responsible for the daily management of the operations of Plant One and for the preparation of establishment of Plant Two. As at the Latest Practicable Date, we have incurred approximately HK\$37.5 million for setting up Plant One, including (i) the lease of the land and factory buildings, (ii) fitting out works of the leased factory buildings and (iii) acquisition of the required production machinery and equipment to set up our production lines in operation. It is estimated that the total costs for the establishment of Plant Two will be approximately HK\$200.0 million, of which approximately HK\$132.9 million will be used for the lease of land and construction cost and fitting out works of the factory buildings and HK\$67.1 million will be used for the acquisition of production machinery and equipment.

Out of the remaining estimated investment costs for the setting up of Plant One, we expect approximately HK\$21.8 million will be funded by net proceeds from the Global Offering and the remainder will be funded by our internal resources. Out of the estimated total investment costs of approximately HK\$200.0 million for the setting up of Plant Two, we expect approximately HK\$145.6 million will be funded by the net proceeds from the Global Offering and the remainder will be funded by our internal



resources. On the assumptions that (i) the operating environment in Cambodia remains stable; (ii) our Cambodia Production Base achieves reasonable level of production efficiency with reference to our Vietnam Production Base and (iii) our Cambodia Production Base will be in full operation as planned, the investment payback periods of the establishment of Plant One and Plant Two of our Cambodia Production Base, being the time required for our Cambodia Production Base to recover the relevant initial set up costs from net cash flow generated by it, are estimated to be 16 months and 24 months, respectively.

**Enhance our production efficiency and capabilities as well as our quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, and setting up a research and development centre and additional testing laboratories**

***(i) Replacing and upgrading existing machinery and acquisition of new machinery for our PRC and Vietnam production bases***

With the aim to enhance our production efficiency, keep abreast with latest manufacturing technologies and ensure our product quality are maintained at optimal standards, we intend to (a) upgrade our manufacturing facilities at our PRC and Vietnam production bases by purchasing new production equipment and automated or computerised machinery including raw materials distributors, laser cutting machine, sewing machines, full scope metal detector and packaging machines, to increase automation, better fulfil our customers' demands, reduce human error and increase production efficiency during our production processes; and (b) replace obsolete and aged production equipment and machineries to minimise downtime and defective rate, which in turn shortens the production lead time and reduces our maintenance costs to achieve an overall enhancement of the efficiency and stability of our production. The estimated investment cost for the above is approximately HK\$34.4 million, of which approximately HK\$25.0 million is expected to be funded by net proceeds from the Global Offering and the remainder to be funded by our internal resources.

***(ii) Setting up research and development centre at our Vietnam Production Base***

We have been keeping ourselves in line with the trends in both domestic and international bags and packs manufacturing markets and consistently carrying out small-scale research and development of production processes and manufacturing techniques. In order to enhance production procedures and techniques and achieve higher research and development effectiveness, we intend to establish a new research and development centre at our Vietnam Production Base to (a) conduct research on different kinds of manufacturing machineries and analyse their performance in attaining customer requirements and production efficiency in manufacturing different kinds of bags and packs and different product parts, and (b) based on such research analysis, develop production processes and manufacturing techniques to streamline our production processes to improve our overall production efficiency and productivity, and enhance the quality of our products and our ability to satisfy our customers' increasingly sophisticated needs. The estimated investment cost for the above is approximately HK\$9.4 million for the acquisition of equipment and machineries and recruitment of a capable team with relevant experiences. Out of such estimated investment cost, approximately HK\$6.9 million is expected to be funded by net proceeds from the Global Offering and the remainder to be funded by our internal resources.

***(iii) Strengthening our laboratory testing capabilities at our Vietnam and Cambodia production bases***

We believe the consistently high quality of our products has contributed significantly to our business success, in particular our ability to retain customers and generate repeat sales orders, as well as upholding our leading position in the global recreational bags and packs manufacturing and SCM market. Among other measures that we have adopted to ensure our products meet our customers' product specifications and

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quality standards, we have set up testing laboratories at the Liaobu manufacturing plant of our Dongguan Production Base to conduct quality tests on our raw materials and finished products in accordance with required quality standards. Our testing laboratories also enhanced our technical knowhow and complemented our product development functions by providing first hand, easily accessible and reliable scientific analysis on the quality and functionality of raw materials and new products developed by our Group during the product development stage.

We intend to strengthen our laboratory testing capabilities by (i) setting up a testing laboratory at our Vietnam Production Base by adding new testing equipment and recruiting a team of laboratory personnel with relevant expertise so that the testing laboratory will be capable of carrying out extensive laboratory tests at our Vietnam Production Base, and (ii) setting up a testing laboratory at our new Cambodia Production Base to ensure that our product development and/or manufacturing functions in all regions are supported by our testing laboratories.

The estimated investment cost for the above is approximately HK\$8.4 million, of which approximately HK\$6.1 million is expected to be funded by net proceeds from the Global Offering and the remainder to be funded by our internal resources.

### **Continue to enhance brand recognition for our MAISON PROMAX brand and expand our retail business**

In order to leverage on our experience in the global recreational bags and packs manufacturing and SCM industry and our multi-regional manufacturing platform, we launched our proprietary brand of bags and packs since 2007 and expanded into the fashion bags and packs and small leather goods retail market with MAISON PROMAX, our proprietary brand positioned as an entry-level luxury fashion brand with elements inspired by French design.

We intend to expand the sales network of our MAISON PROMAX brand by establishing three additional direct-operated department store concession counters in premium locations in Taiwan, which are expected to commence business in or around 2019. We also plan to further enhance and promote the brand recognition of our MAISON PROMAX brand by launching promotional campaigns and activities through multiple marketing channels, including mass media, such as magazines, social media, in-store promotion campaigns and fashion shows in order to effectively reach targeted customers. As part of our business strategy to further boost the brand awareness and expand the global market share of our proprietary brand, we are planning to equip and upgrade our e-commerce system in order to accommodate sales orders from international clients, and identify distributors with high potential in fashion capitals such as Tokyo and Hong Kong to join our distributorship network and leverage on their established local business presence and local service teams to distribute and market our MAISON PROMAX products in our target overseas markets. In addition, we intend to upgrade our point of sales and customer relations management systems to enhance the efficiency of our sales process and better understand sales pattern and consumer preference of our proprietary branded products, which will not only support the international sales and delivery of our proprietary branded products under the strengthened e-commerce platform, but will also enable us to strategically direct our resources to the development of more popular and receptive designs and products under our proprietary brand and formulate more effective sales and marketing strategies.

The estimated investment cost for the above is approximately HK\$21.2 million, of which approximately HK\$15.4 million is expected to be funded by net proceeds from the Global Offering and the remainder to be funded by our internal resources.

### **Enhance our information technology infrastructure**

We believe that an effective information technology system is essential to the efficient management and successful development of our business. We intend to upgrade our information technology to optimise our operation and increase our overall operational efficiency. We plan to (i) upgrade our ERP system which could link up all of our production bases and offices for consolidating data from each stage of our production for our analysis and formulation of strategic plans to improve our manufacturing performance, production efficiency and accuracy of our costing system, and (ii) upgrade our accounting system for financial reporting and Directors' monitoring of our Group's financial performance as well as to create a single repository of accurate financial information that covers all daily accounting and financial management functions, and enables information and workflow sharing between the business operations and financial accounting processes. To achieve this, we plan to (i) acquire relevant hardware and software system for implementing the new ERP system as well as recruit a team of system administrators to monitor such ERP system, provide regular training to our personnel to ensure the accuracy of data input and promote its use in our production processes; and (ii) acquire the required hardware and software system and expand our accounting team to support the operation of our new accounting and financial management systems.

The estimated investment cost for the above is approximately HK\$39.8 million, of which approximately HK\$29.0 million is expected to be funded by net proceeds from the Global Offering and the remainder to be funded by our internal resources.

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### Summary of Estimated Investment Costs and Timeline for Implementation of Our Business Strategies

We set forth below a summary of the estimated investment costs and timeline for implementation of our business strategies disclosed above:

Business strategies	Estimated investment costs for				Total estimated investment costs after Listing HK\$ million	Estimated investment costs to be funded by net proceeds from the Global Offering <sup>Note</sup> HK\$ million	Estimated investment costs to be funded by internal financial resources HK\$ million
	the period from the Listing to 31 December 2018	the year ending 31 December 2019	the year ending 31 December 2020	the two years ending 31 December 2022			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million			
<b>Further enhancement of our manufacturing capacity and flexibility by expanding our manufacturing platform in Cambodia:</b>							
<b>(i) For Plant One of our Cambodia</b>							
Production Base							
• Lease of land and factory buildings as well as fitting out works of the factory premises	20.4	4.6	4.6	–	29.6	8.3	21.3
• Acquisition of new production machinery and equipment	11.4	–	–	–	11.4	7.7	3.7
• Recruitment of an experienced management team for the daily management of the operations of Plant One	1.6	6.4	–	–	8.0	5.8	2.2
	<u>33.4</u>	<u>11.0</u>	<u>4.6</u>	<u>–</u>	<u>49.0</u>	<u>21.8</u>	<u>27.2</u>
<b>(ii) For Plant Two of our Cambodia</b>							
Production Base							
• Lease of land and construction and fitting out works of the factory buildings	53.9	79.0	–	–	132.9	96.7	36.2
• Acquisition of new production machinery and equipment	–	14.1	21.4	31.6	67.1	48.9	18.2
	<u>53.9</u>	<u>93.1</u>	<u>21.4</u>	<u>31.6</u>	<u>200.0</u>	<u>145.6</u>	<u>54.4</u>
<b>Sub-total:</b>	87.3	104.1	26.0	31.6	249.0	167.4	81.6

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Business strategies	Estimated investment costs for				Total estimated investment costs after Listing HK\$ million	Estimated investment costs to be funded by net proceeds from the Global Offering <sup>Note</sup> HK\$ million	Estimated investment costs to be funded by internal financial resources HK\$ million
	the period from the Listing to 31 December 2018 HK\$ million	the year ending 31 December 2019 HK\$ million	the year ending 31 December 2020 HK\$ million	the two years ending 31 December 2022 HK\$ million			
<b>Enhancement of our production efficiency and capabilities as well as our quality control:</b>							
(i) Replacing and upgrading our production facilities of our PRC and Vietnam production bases	–	34.4	–	–	34.4	25.0	9.4
(ii) Establishing a new research and development centre at our Vietnam Production Base	0.7	8.7	–	–	9.4	6.9	2.5
(iii) Strengthening our laboratory testing capabilities at our Vietnam and Cambodia production bases	0.2	8.2	–	–	8.4	6.1	2.3
<b>Sub-total:</b>	0.9	51.3	–	–	52.2	38.0	14.2
<b>Enhancing brand recognition for our MAISON PROMAX brand and expansion of our retail business</b>	4.0	9.5	7.7	–	21.2	15.4	5.8
<b>Enhancing our information technology infrastructure to strengthen our existing information systems</b>	2.9	36.7	0.2	–	39.8	29.0	10.8
<b>Total</b>	<u>95.1</u>	<u>201.6</u>	<u>33.9</u>	<u>31.6</u>	<u>362.2</u>	<u>249.8</u>	<u>112.4</u>

**Note:**

Based on an estimated net proceed of HK\$249.8 million assuming the Offer Price is fixed at HK\$1.07 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.89 to HK\$1.25 per Offer Share, and that the Over-allotment Option is not exercised.

Please also see “Future Plans and Use of Proceeds” in this prospectus for details of the use of our net proceeds from the Global Offering.

## PRODUCTS

Our products can be broadly categorised as follows:

### 1. Outdoor & sporting bags and packs



#### ***Key features:***

Our outdoor & sporting bags and packs are designed for outdoor and sports activities, such as day packs and overnight backpacks, which are designed with larger volumes to meet the requirements of outdoor trips, tote bags and duffel bags.

#### ***Ex-factory price range during Track Record Period:***

US\$2.27 to US\$88.88

### 2. Functional bags and packs



#### ***Key features:***

Our functional bags and packs are designed for relatively professional purposes or specific functions, such as camera backpacks with multiple pockets and waterproof hydration backpacks.

#### ***Ex-factory price range during Track Record Period:***

US\$1.71 to US\$107.94

3. Fashion & casual bags and packs



**Key features:**

Our fashion & casual bags and packs are designed for daily use, and include different types of school backpacks and bags and packs for leisure purposes, such as those with urban lifestyle designs and trendy and fashionable outlook.

**Ex-factory price range during Track Record Period:**

US\$2.02 to US\$61.71

**Proprietary brand**



**Key features:**

Products mainly including bags and packs and small leather goods produced under our active proprietary brand MAISON PROMAX, which is positioned as an entry-level luxury fashion bags and packs brand, are also included in this product category. For more details, please refer to “Proprietary Brand” in this section below.

**Retail price range during Track Record Period:**

US\$15.43 to US\$737.02

4. Other bags and packs



**Key features:**

Other bags and packs consist of all other bags and packs that do not fall within any of the above categories, such as toy backpacks.

**Ex-factory price range during Track Record Period:**

US\$3.14 to US\$36.85



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## BUSINESS

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The following table sets forth a breakdown of our revenue by product category of our bags and packs, each expressed as an absolute amount and as a percentage of our total revenue, during the Track Record Period:

	FY2015		FY2016		FY2017	
	US\$'000	%	US\$'000	%	US\$'000	%
<b><i>Product category</i></b>						
Outdoor & sporting	131,105	58.2	134,027	60.8	155,327	60.1
Functional	50,710	22.5	42,122	19.1	60,963	23.6
Fashion & casual	37,287	16.5	39,953	18.1	34,514	13.3
Others	<u>6,240</u>	<u>2.8</u>	<u>4,355</u>	<u>2.0</u>	<u>7,694</u>	<u>3.0</u>
Total	<u>225,342</u>	<u>100.0</u>	<u>220,457</u>	<u>100.0</u>	<u>258,498</u>	<u>100.0</u>

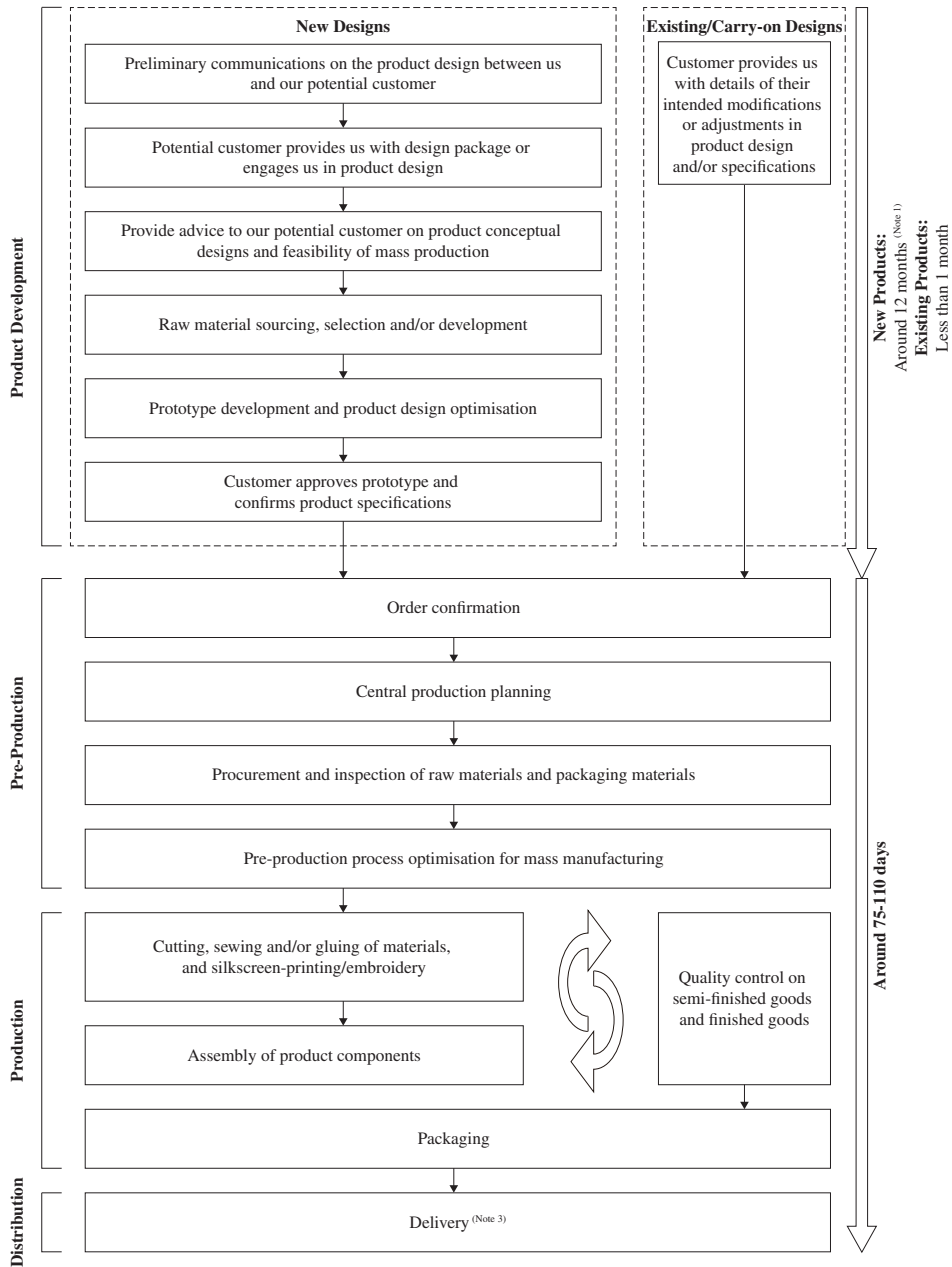
### BUSINESS MODEL AND BUSINESS PROCESS

As one of the global leaders in the bags and packs manufacturing and SCM market, we provide our customers with not only manufacturing services, but also value-added services at various stages along the supply chain ranging from product development, product design optimisation raw material development, sourcing and/or procurement, prototyping, production management, quality control to logistics and delivery.

With over 20 years of experience in the bags and packs manufacturing industry, we have been devoted to developing a business model with particular focus on product development, on which our key customers have placed great value as proven by our long-term partnerships with them. Our business model also allows us to proactively initiate product designs with our customers, and collaborate and interact with them on product development, product design optimisation, raw materials selection and development, as well as early production planning, which we believe could help ensure the feasibility and commercial viability of mass production for our customers, and has differentiated us from traditional OEM bags and packs manufacturers.

# BUSINESS

The following flowchart depicts our typical business processes involved in the delivery of our products and provision of our supply chain management services to our customers:



**Notes:**

- Our major customers generally initiate new product launches on bi-yearly basis and approach us around six to twelve months prior to each new product launch to kick-start the product design and development process.
- The order of certain business processes depicted in the above flowchart may vary depending on the specific requirements of each of our brand owner customers.
- Where necessary, we also provide supply chain management services whereby we would gain access to our customers' system for managing the delivery of our products to their designated delivery points.

The production process for our proprietary branded products is also characterised by the product development, pre-production, production and distribution stages, save that there is no customer participation throughout the production process and product development is initiated and controlled by our proprietary brand designer team stationed in Guangzhou Glorieux. Moreover, purchase orders for our proprietary branded products are placed with our Guangzhou Production Base by the designated sales team of our proprietary brand based on our sales forecast and sales performance. The distribution of our proprietary branded products is also supported by our retail sales and marketing efforts. For more details, please refer to “Proprietary Brand” and “Sales” in this section below.

### **Product Design and Development**

As our brand owner customers generally aim to develop and launch new products on regular basis, we put particular emphasis on product design and development to provide them with quality support in this aspect. As of 31 December 2017, we have established product development teams in our Guangzhou Production Base and Dongguan Production Base, which consist of over 370 personnel, the majority of whom have accumulated product design, research and development experience ranging from 5 to 20 years as at the Latest Practicable Date, and has led our Group in presenting over 300 new bags and packs designs to our three largest customers in each year during the Track Record Period. Set out below are some major product design and development collaborations between our Group and certain internationally renowned brand owners during the Track Record Period:

- ***Three-dimensional geometric-textured bags:*** We proposed the design application of interlocking geometric-shaped PVC panels to create versatile three-dimensional bags that take on different shapes as they are used, and developed customised production solutions to ensure the feasibility of large-scale manufacturing;
- ***Printed artworks on packing cubes:*** We helped our customer finalise the choice of printing method to achieve the most optimal printing output of artworks on packing cubes after analysing the pros and cons of different printing methods with them; and
- ***Multi-colour hot stamped PU bags:*** We collaborated with our customer in applying the multi-colour hot stamping method to the printing of its intended complex digital designs on bags and packs, the accuracy of which in printing highly defined patterns in multiple colours could not be matched by conventional printing methods. We also assisted our customer in planning and coordinating the complicated printing processes and resolving production challenges arising therefrom to deliver products to its satisfaction.

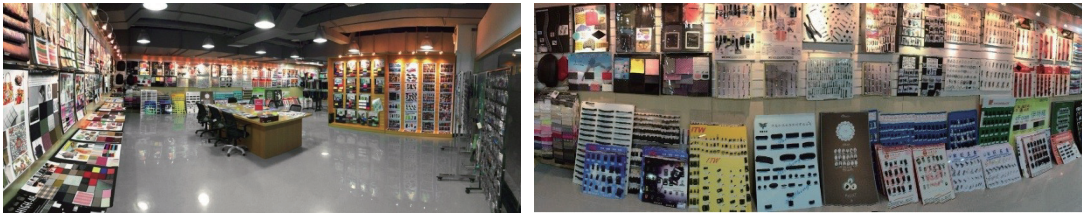
With such solid experience and expertise, we have gained significant insight into customer preferences on product design, and more importantly, product development knowhow and techniques that could maximise the realisation of our customers’ desired conceptual designs in the end product, and help ensure the feasibility of its mass production. We also leverage on our onsite product development capabilities to help our customers achieve speed to market. For instance, our large-scale in-house prototype making capability allows us to adjust and finalise product decisions with our customers more quickly, and collaboration with customers in the product development process enables us to secure the right kinds of raw materials with suppliers and plan our production at early stage.

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## BUSINESS

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We may also recommend our customers on raw material choice and/or ways to fine-tune our customer's, initial design specifications to better achieve their design concept and intended function of the proposed product. To assist our customers in making raw material choices and to strengthen our product development team's knowledge on the nature, functions and features of different raw materials, we have set up a raw material library in our Guangzhou Production Base, which contains samples and knowhow of a wide range of raw materials including but not limited to a large variety of different kinds of fabrics. Where new materials are required to be applied in the production process, we will work together with our customers and suppliers to develop new materials with the desired texture, function and appearance to attain our customer's design concept. For instance, we collaborated with our major customers during the Track Record Period to (i) develop light weight nylon with soft foam fill for application as body fabric of bags and packs, (ii) highly waterproof, durable and lightweight coated canvas for application as body fabric of outdoor bags, and (iii) dual colour tone webbing bag straps and glow-in-the-dark zippers for bags and packs to enhance our customers' product designs.



*Note:* Raw material library in our Guangzhou Production Base

We believe our involvement in our customers' product development process has made us their core partner in the latter production stages of the product developed as well as its future design refinement and modification, thereby enabling us to cultivate stronger and more sustainable relationships with our customers.

### ***New Designs***

In the early stage of the product development process of a new product, we usually have some preliminary communications on the product design with our customer and they generally facilitate our understanding of their preliminary design concepts and production requirements by providing us with a design package containing conceptual drawings of the desired product. Some customers may directly engage us to initiate product concept and design.

Our product development team may also advise our customers on the feasibility of mass production of the proposed new product in terms of design and designated materials based on the design package provided. We may also assist our customers in selecting appropriate raw materials or collaborate with our customers to develop new raw materials to better attain their design concept and intended function of the proposed product. Once our customer has finalised their raw material choice, we may also perform quality tests on the designated raw material through our Group's testing laboratory and/or third party laboratories.

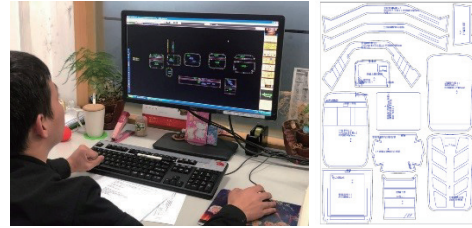
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## BUSINESS

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Once the conceptual drawing, choice of raw materials and other major specifications of the product have been confirmed, our product development team develops three dimensional (3D) computer renderings of the product with our Rhinoceros system to assist our customer visualise the end product of their design concept and speed up finalisation of the product design. Major steps of this 3D virtualisation process are set out below:

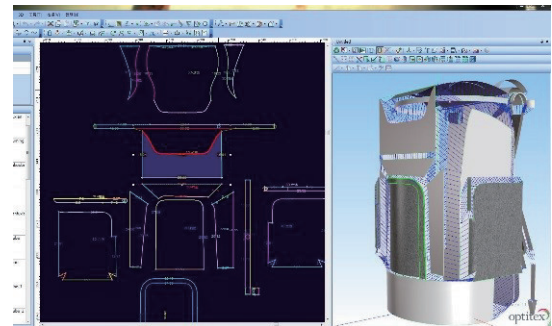
- (i) preparing two dimensional (2D) patterns of our customer's design concept;



- (ii) building a paper model of the product based on the 2D patterns to check, adjust and finetune the 2D patterns; and



- (iii) inputting information of the finalised 2D patterns and selected raw materials (such as type of fabric and accessories) into the system to generate three dimensional (3D) computer renderings of our customer's design concept.



Once the 3D computer renderings of the product are approved by our customer and the product design is primarily finalised, primary production data of the proposed new product will become available for our product development team and procurement team to conduct a costing exercise, and provide an indicative ex-factory unit price for finished goods to our customers by way of a cost sheet for consideration. The cost sheet includes the estimated raw material cost, labour cost and production overhead.

We may proceed to develop and produce the first product prototype based on the finalised product design and work with our customers to refine the first prototype, adjust the product specifications, and produce further prototype(s) for further discussion and analysis with our customers to modify and fine-tune the product design based on a number of factors, such as adherence to our customers' styles and suitability for mass production, before finalising the design. We may also update the indicative ex-factory unit price during the prototyping stage to reflect the costing impact of modifications to the product specifications and required changes in production processes to achieve our customer's desired product design, and submit the updated cost sheet to our customer's for further consideration. Once our customer has approved the product design and is agreeable to our proposed ex-factory unit price, they will proceed to confirm their purchase order with us.

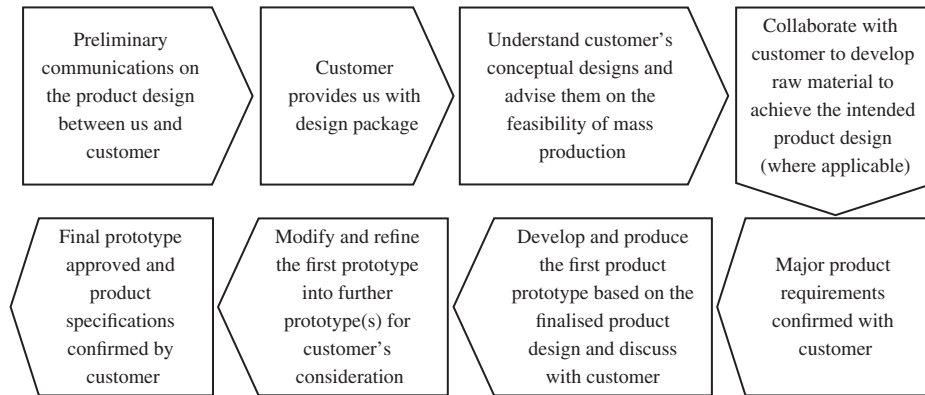


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## BUSINESS

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The following flowchart summaries our typical new product development process:



Our major customers generally initiate new product launches on bi-yearly basis and approach us around six to twelve months prior to each new product launch to kick-start the product design and development process. Based on our experience, the above product development process varies for different customers and it generally requires around twelve months.

### ***Existing/Carry-on Designs***

Apart from developing new products, we understand that our major customers' product portfolio contains certain evergreen products and they place purchase orders with us from time to time to produce such products with slight modification or adjustment in product design, such as alteration of product colour. Our customer generally provides us with details of their intended modifications or adjustments in product design and/or specifications before we proceed to the pre-production stage.

### **Pre-production**

#### ***Production Planning***

Our operation flow of production is carefully planned with an aim to increase production efficiency. At production planning stage, manufacturing arrangements such as production scheduling and raw material procurement will be arranged and coordinated upon receiving customers' order confirmation.

We generally allocate orders to our production bases taking into account their production capacity, production schedule, labour skills, preference of our customers and trade benefits. For instance, orders with more sophisticated design requirements are handled by our relatively more experienced PRC production bases; and high volume orders that require relatively simple production processes are usually handled by our Vietnam Production Base.

Based on our customers' design, our product development team generates a set of paper patterns for raw material cutting during production stage to ensure product consistency and for our inspection and internal approval before commencement of production procedures. Where any part of the production will be subcontracted, we generally require our subcontractors to fulfil our customers' product specifications and quality requirements.

Finally, our production supervisor organises our manufacturing staff into several production teams to produce different product components and distributes a set of production procedures to our staff to familiarise with the production process.



***Lean manufacturing model***

We have introduced a lean manufacturing model focusing on productivity improvement at our Vietnam Production Base as a pilot testing point before overall implementation in all of our production bases. We train our staff members with lean manufacturing principles such as optimising our value streams, eliminating waste and building quality in, and have set up an improvement team to promote and incubate lean manufacturing knowledge in our operations and involve our employees from frontline manufacturing workers to factory director in implementing the lean manufacturing model in our Vietnam Production Base. During product development and pre-production stages, our product development team and production managers provide input on how to optimise the production processes to achieve reduction in material usage, reduction in production time and reduction in wastage. Based on this input, we have organised our manufacturing staff in our Vietnam Production Base into multiple production teams to produce different components of a product and ensure each component satisfies our quality and design specifications before they are assembled together into the finished product. This streamlined production process enables us to discover and resolve issues relating to production at the early stage, thereby allowing us to achieve “Do It Right The First Time” and lower product defect rate, avoid unnecessary waste during the manufacturing processes, lower inventory levels of our raw material and semi-finished goods at various stages of our production processes and hence lower overall production costs. By analysing the lead time in the stages of each production process, we are also able to carve out the inefficient or unnecessary segments in the production process and integrate and optimise the production process so as to shorten the order delivery time.

***Procurement***

Our procurement team then works with our production team to procure raw materials and packaging and arrange for delivery to our designated factory. Raw materials are inspected before acceptance. Our initial quality control division of quality control department ensures raw materials satisfy our customers’ quality specifications before they are assembled together to become a finished product. For more details on our raw material quality control measures, please see “Quality Control – Raw Materials” in this section below.

***Production Process Optimisation***

With the paper patterns, production procedures and raw materials in place, we will proceed to prepare a production sample based on the final prototype developed at product design and development stage, after which an internal pre-production meeting will be convened to discuss measures to optimise the production process to improve product quality and efficiency.

The production sample is also generally approved by the relevant customer before mass production commences, which reduces our risk of producing large quantities of unsatisfactory products and enables us to utilise our production facilities more efficiently.

We believe that this operational model allows us to maximise our production efficiency and yield.



**Production**

We have established a production control system through which we closely monitor all key stages of our manufacturing processes. The production cycle of our products varies depending on the product produced and specific customer requirements, and typically requires 75 to 110 days to produce upon order confirmation by customers.

我們的自動剪裁設施



**Our embroidery facilities**



**Our printing facilities**



**Our glue-spraying and baking machine**



**Assembling of product parts**



At our factories, raw materials are pre-processed before being passed to the production lines. The fabric is cut into various shapes according to the paper patterns prepared by our production development team.

Depending on the product design, cut-outs of fabrics that are required to be embroidered, silkscreen printed and/or otherwise processed based on customers' design are then sent to our designated internal production unit or our subcontractors for processing.

On our production lines, the remaining product parts are matched, sewed, glued and trimmed, and then assembled together to form the product.

### **Quality Control on Semi-finished Goods and Finished Goods**

Quality control measures are taken throughout our production processes. If any defects are spotted, the work-in-progress will be sent back to the relevant production unit for reworking or reprocessing. Our quality control department also performs final checking on our finished goods. For more details, please see “Quality Control” in this section below.

### **Packaging and Delivery**

We carry out final inspection on our finished products before they are packaged and stored in our warehouses. To ensure the safety of our packaged products, our warehouses are subject to 24-hour surveillance and only our authorised employees are allowed to enter our warehouses for stock taking, arrange loading and delivery of our packaged products. For certain of our customers, we also provide supply chain management services whereby we would gain access to their system for managing the delivery of our products to their designated delivery points.

In general, the packaged products are delivered to our customers’ designated ports of shipment in, for example, the PRC and Vietnam, on free on board shipment terms as stipulated in the purchase orders, which means the passing of title and the risk of the finished products to our customers occurs when the finished products are loaded onto the ship for export at the designated ports of shipment. We have our own logistic team to arrange for the delivery of finished products from our production facilities to the forwarders at the designated ports of shipment of our customers and are responsible for the transportation cost incurred for such delivery.

### **Subcontracting Arrangements**

As part of our production planning, we may subcontract the manufacturing of certain ancillary parts of the production such as printing and gluing to our subcontractors when required, in particular for our peak seasons in the Track Record Period, during which our average utilisation rate had been fully utilised. This enables us to focus our resources on the key stages of our operation and more value-added production processes, including product development, cutting and assembly of product parts, to better control the overall quality of our products, and increase flexibility on our staffing and production planning. During the Track Record Period, we from time to time subcontracted certain production procedures such as embroidery, silkscreen printing, sewing and gluing. Please see “Suppliers – Subcontractors” below for more details of our subcontracting arrangements.

## **PRODUCTION FACILITIES**

### **Our Production Bases**

We manufacture our products in our production facilities in Dongguan, Guangzhou and Jiangxi, the PRC and Dong Nai Province, Vietnam during the Track Record Period. Plant One of our new Cambodia Production Base was also established and put into operation in February 2018. Our self-owned Guangzhou Production Base was erected on land in which we owned land use right, and the land and buildings constituting our Dongguan Production Base, Jiangxi Production Base, Vietnam Production Base and Plant One of our Cambodia Production Base are leased from third parties. All machinery and production equipment in our production bases are owned by us.

We benefit from the locations of our production bases in the PRC with close proximity to our suppliers/subcontractors and access to efficient port facilities to deliver for delivery, which helps to reduce delivery costs and time of our products to customers. Our production base in Vietnam also enables us to take advantage of the potential and business prospects of the Vietnamese market, in particular the availability of labour at competitive costs and favourable taxation environment for foreign investments.

## BUSINESS

The table below provides a summary of the operation data of our existing production bases in the PRC and Vietnam, which comprise production facilities, dormitories, office and/or ancillary facilities, as at 31 December 2017:

Production Base	Location	Number of production lines (as at 31 December 2017)	Years of establishment	Approximate GFA for building structures (sq. m.)	Number of employees as at 31 December 2017
<b>Dongguan Production Base</b>					
(i) Liaobu Plant	Dongguan, Guangdong	28	1997	53,614	1,158
(ii) Dongkeng Plant	Dongguan, Guangdong	15	2004	18,017	411
<b>Jiangxi Production Base</b>	Xinfeng County, Jiangxi	11	2010	29,747	460
<b>Guangzhou Production Base</b>	Panyu, Guangdong	12	2015	41,850	939
<b>Vietnam Production Base</b>	Dong Nai Province, Vietnam	112	2008	80,466	6,010

Our production process is labour intensive but certain steps in our production process can be automated. We use certain automated production equipment, such as auto-cutting machines, auto-fabric spreading and folding machines, computerised sewing machines, auto-labelling machines and auto-packing machines, to attain high efficiency and better control of the consistency of the quality of our products.

Unlike production process of products that have standard production requirements and production times, the production requirements and production times for different types of our products vary significantly due to a number of factors such as different structure, styles and complexity. As a result, our estimated production capacity and utilisation rate may not be an accurate indication of the use of our production capacity or meaningful in evaluating our profitability.

## BUSINESS

### Production Capacities and Utilisation Rate

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

	FY2015 Number of pieces million	FY2016 Number of pieces million	FY2017 Number of pieces million
<b>Dongguan Production Base</b>			
<b>(i) Liaobu Plant</b>			
– Estimated production capacity <sup>(1)</sup>	8.6	9.1	7.6
– Actual production volume	5.7	6.6	6.1
– Utilisation rate <sup>(2)</sup>	66.4%	72.1%	79.6%
<b>(ii) Dongkeng Plant</b>			
– Estimated production capacity <sup>(1)</sup>	2.8	2.1	4.0
– Actual production volume	2.6	1.8	2.9
– Utilisation rate <sup>(2)</sup>	90.1%	84.3%	73.8%
<b>Guangzhou Production Base</b>			
– Estimated production capacity <sup>(1)</sup>	4.3	5.2	3.4
– Actual production volume	3.1	4.2	2.8
– Utilisation rate <sup>(2)</sup>	72.3%	80.2%	81.9%
<b>Jiangxi Production Base</b>			
– Estimated production capacity <sup>(1)</sup>	2.5	2.7	2.8
– Actual production volume	2.3	2.3	2.4
– Utilisation rate <sup>(2)</sup>	92.3%	84.6%	87.8%
<b>Vietnam Production Base</b>			
– Estimated production capacity <sup>(1)</sup>	8.6	10.0	12.6
– Actual production volume	7.4	8.7	11.0
– Utilisation rate <sup>(2)</sup>	<u>86.1%</u>	<u>86.8%</u>	<u>87.8%</u>
<b>Total</b>			
– Estimated production capacity <sup>(1)</sup>	26.8	29.1	30.4
– Actual production volume	21.1	23.6	25.2
– Utilisation rate <sup>(2)</sup>	<u>78.6%</u>	<u>80.7%</u>	<u>83.3%</u>

*Notes:*

1. Production capacity is estimated by the management of our Group based on the number of production lines, working days, working hours per day, number of workers and their attendance, and the efficiency of the respective production facilities in each of the periods indicated above.
2. The utilisation rate is derived by dividing the production volume by the estimated production capacity.
3. Our production peak seasons include March, April and May and we recorded relatively high utilisation rate of over 99% in such periods during the Track Record Period.

Utilisation rate of our production facilities increased from 78.6% in FY2015 to 80.7% in FY2016, and further to 83.3% in FY2017, which was mainly attributable to the increase in our production volume by around 2.3 million pieces and 1.9 million pieces in FY2016 and FY2017, respectively, which in turn was driven by greater demand for bags and packs from our customers during the Track Record Period.

## BUSINESS

### Cambodia Expansion Plan

In February 2018, we have established Plant One of our Cambodia Production Base at Phum Trapeang Chheuneang, Khum Peuk, Srok Angsnoul, Kandal Province, Cambodia. As at the Latest Practicable Date, Plant One of our Cambodia Production Base comprised production facilities, dormitories and other facilities with total gross floor area of approximately 28,873 sq.m. and was equipped with 22 production lines. We plan to further increase production lines in Plant One and also set up Plant Two of our Cambodia Production Base. For more details on our Cambodia Expansion Plan, please see “Business – Our Strategies – Further enhance our manufacturing capacity and flexibility by expanding our manufacturing platform in Cambodia” in this prospectus.

The following table sets forth certain information of Plant One and Plant Two of our Cambodia Production Base:

Production Facility of our Cambodia Production Base	Planned Number of Production Lines	Expected Timeline	Estimated Maximum Annual Production Capacity <sup>(Note 1)</sup>	Expected Utilisation Rate in the First Full Year of Commercial Production	Estimated Investment Costs after Listing <sup>(Note 2)</sup>
Plant One	48	Commenced operations in February 2018 and expected to achieve full operation of all 48 production lines by the end of 2018	Approximately 4.7 million pieces	88% (based on the assumption that approximately 4.1 million pieces will be manufactured at Plant One)	HK\$30 million
Plant Two	90	Expected to commence operations by 2020 and to achieve full operation of all 90 production lines by 2022	Approximately 8.7 million pieces	88% (based on the assumption that approximately 7.7 million pieces will be manufactured at Plant Two)	HK\$200 million

*Notes:*

- Maximum annual production capacity is estimated based on the assumptions that (i) all production lines as planned are in place and in full operation; and (ii) reasonable level of production efficiency with reference to our Vietnam Production Base is achieved.
- The estimated investment costs refer to the total estimated costs or expenditures expected to be incurred in connection with the establishment of these new facilities in Cambodia for the period up to the corresponding date of commencement of full operations. For more details on the expected timeline for incurring the estimated investment costs indicated above for each of Plant One and Plant Two of our Cambodia Production Base, please refer to “Business Strategies – Summary of Estimated Investment Costs and Timeline for Implementation of Our Business Strategies” in this section above.

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## BUSINESS

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We believe our Cambodia Expansion Plan is necessary for our Group to capture the increasing market demand from the global recreational bags and packs manufacturing and SCM market and to maintain our competitiveness in terms of our product pricing as further particularised below:

**(i) *Expected Growth Rates of the Market Size and Demand for Recreational Bags and Packs***

According to the CIC Report, the global recreational bags and packs manufacturing and SCM market is expected to reach total ex-factory revenues of approximately US\$6.88 billion by 2022, which would represent a CAGR of approximately 8.4% from 2017 to 2022.

We aim to continue to solidify and strengthen relationships with our existing brand owner customers and develop relationships with new customers to capture the abovementioned expected growth in the global recreational bags and packs manufacturing and SCM market in the next five years.

Our actual production volume increased from 21.1 million pieces in FY2015, to 23.6 million pieces in FY2016, and further to 25.2 million pieces in FY2017, representing a CAGR of 9.3% during the period. Nevertheless, our Directors believe that with the addition of Plant One and Plant Two of the Cambodia Production Base to our Group's manufacturing platform, our Group will be able to better satisfy the unfulfilled demand from its existing and prospective customers. For instance, during the Track Record Period and thereafter, our Group received enquiries from (1) its existing customers for certain brands in relation to our Group's possibility in allocating additional production capacity for their potential orders; and (2) prospective customers about potential cooperation opportunities between our Group and certain of its brands. However, given that our production capacity had already become or was expected to become fully utilised during the relevant period and in particular, the production peak seasons from March to May, we could only reluctantly decline certain of the preliminary request from both existing and prospective customers, without proceeding to the product development stage, nor further inquiring those customers of the quantities of the potential purchase (as the case may be).

Furthermore, the estimated annual production capacity of Plant One is expected to be fully utilised during the production peak seasons after all of its 48 planned production lines have been put into full operation, and our business growth will be restrained if our manufacturing capacities do not increase in line with the anticipated growth in market demand for our products.

Therefore, our Directors believe that with the addition of Plant One and Plant Two of our Cambodia Production Base to our manufacturing platform, our Group will be able to attract an increasing number of new customers who are incentivised to import bags and packs from Cambodia to enjoy its relatively low labour costs and low import duty rates under the favourable trade policies mentioned below, accept more purchase orders, better satisfy the unfulfilled demand from both our existing and prospective customers, deepen our cooperation with our existing customers through the development of new products as well as increase our ability to attract and work with new customers.

**(ii) *Competitive Advantages of Cambodia***

According to the CIC Report, Cambodia is one of the ASEAN countries with the lowest labour costs for manufacturing workers in 2017. For instance, in 2017, the average wage for manufacturing workers in Cambodia was only around US\$2,640 per annum, which was approximately 252.8% and 50.5% lower than the average wage for manufacturing workers in PRC and Vietnam, respectively. This labour cost gap between the PRC and Vietnam on one hand and Cambodia on the other hand is expected to continuously widen in the coming years, according to the CIC Report. Hence, with our Cambodia Production Plan to be implemented by stages and our Plant One and Plant Two anticipated to be put into full operation by 2018 and 2022 respectively, our production volume in Cambodia is expected to be gradually increased, thereby



allowing us to enjoy the benefit of relatively lower labour costs in Cambodia and reduce our Group's overall average labour cost. Given that labour cost is a major component of our production costs, which accounted for around 23% to 24% of our total cost of sales during the Track Record Period, our Directors estimated that the average unit cost of production, having taken into consideration the estimated depreciation, subcontracting charges and other production overheads but excluding the cost of materials for products to be produced at Plant One and Plant Two of our Cambodia Production Base, would be approximately 4% and 5% lower than that as incurred by our existing production facilities in the PRC and Vietnam, respectively.

In addition, following the adoption of the Generalised System of Preferences Programme by the U.S. and Japan respectively and the "Everything But Arms" scheme by the E.U., Cambodia enjoys duty-free exports, quota-free exports and/or preferential tariff treatment of bags and packs to the U.S., Japan and member states of the E.U, whereas exports of bags and packs from the PRC and Vietnam to such regions do not enjoy equivalent trade benefits. Since more than 65% of our total revenue were derived from sales with the U.S., member states of the E.U. and Japan as destinations of delivery during the Track Record Period, we expect to receive increasing purchase orders for our products from our existing customers and new customers after our Cambodia Production Base has commenced operations.

The lower production costs in Cambodia, coupled with the trade benefits available to exports from Cambodia to the major destinations of delivery of our products, would allow us to increase our gross profit margin for products manufactured at our Cambodia Production Base. Our Directors believe that by setting up Plant Two in addition to Plant One at our Cambodia Production Base, we will be able to maximise our enjoyment of such cost-saving benefits and increase in gross profit margin, and hence improve our results of operations to a larger extent.

***(iii) Better Focus of Production Specialisation for Our Different Production Bases***

As part of our Group's strategy to facilitate our long-term growth, we intend to primarily utilise our Vietnam Production Base and Cambodia Production Base for manufacturing products of relatively simple designs and handling large purchase orders to reap benefits of economies of scale and the competitive advantages of Cambodia as detailed above, and to maintain our production facilities in the PRC mainly for (a) product development, (b) manufacturing products of relatively complex design and those that require more sophisticated manufacturing techniques and (c) conducting extensive laboratory testing on prototypes, raw materials and finished goods at our well established testing laboratory in the PRC.

As such, there is a compelling need for our Group to establish a large-scale production base in Cambodia to cater for our anticipated large purchase orders by our customers by continuously expanding our Cambodia Production Base in two phases over the next four years.

***(iv) Further Diversify Production Risks in Cambodia***

As disclosed in "Risk Factors – We depend on the efficient, proper and uninterrupted operation of our manufacturing facilities" in this prospectus, our ability to meet the demand of our customers and grow our business depends on the efficient, proper and uninterrupted operation of our manufacturing facilities. Power failures or disruptions, breakdown, failure or sub-standard performance of equipment, among other factors, could significantly affect our ability to operate our facilities efficiently and meet the needs of our customers. Our Directors therefore believe that the setting up of Plant Two will allow us to diversify production risks and minimise the impact of production disruptions in Plant One on the overall production capacity of our Group in Cambodia.



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## BUSINESS

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Based on the above factors, our Directors consider that (1) the current expansion scale of our Cambodia Production Base commensurate with the further business opportunities which our Group may capture from both our existing customers and prospective customers; (2) the addition of Plant Two to our Production Base is justifiable after considering the trade benefits available to exports from Cambodia and the potential savings in production costs as a result of the lower wage level of Cambodian workers; and (3) based on our experience in successfully expanding our production capacity through the establishment of our Vietnam Production Base in 2008, despite the additional depreciation and amortisation expenses expected to be incurred in relation to our Cambodia Expansion Plan, the abovementioned expected benefits of our Cambodia Expansion Plan will outweigh the cost expected to be incurred in relation to it in the long run. We expect to finance the investment costs required for our Cambodia Expansion Plan primarily with the net proceeds received from the Global Offering and our internal financial resources.

### **Major Machinery and Equipment Maintenance**

All of the production equipment used by us are owned by our Group. We endeavour to repair and maintain our machinery and equipment on a regular basis. Our production workers are responsible for checking our equipment and repairing them when needed. Manufacturers of our equipment also provide equipment maintenance services during warranty period.

The useful lives of our principal machinery and equipment are approximately 4 to 10 years. Our equipment will be replaced when it is no longer functioning properly.

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

### **QUALITY CONTROL**

We believe that the quality of our products has contributed significantly to our business success, in particular our ability to retain customers and cultivate repeat business, as well as to our leading position in the global recreational bags and packs manufacturing and SCM market.

Many of our customers require us to comply with specific guidelines based on international product safety and restricted and hazardous materials laws and regulations that apply in the jurisdictions into which they import and sell their products. An overview of such laws and regulations are set out in “Regulatory Overview” in this prospectus. In order to ensure that the contents of the products we manufacture meet our standards and comply with our customers’ requirements, quality control points are imposed at all key stages throughout our production process from inspection of raw materials to finished goods and the same quality control measures have been adopted in our production bases. We have obtained and maintained the ISO 9001:2008 certification for the design, development, manufacture, sales and service of bags and packs at our PRC production bases since 2009.

Quality improvement meetings are also held with our production lines to evaluate the effectiveness and implementation status of quality assurance policies and procedures with an aim to continuously improve our quality management system and enhance our product quality.

### Testing Laboratories

We have also set up a testing laboratory at the Liaobu Plant of our Dongguan Production Base (“**Liaobu Laboratory**”) to conduct internal quality tests on our raw materials and finished products in accordance with international standards. In particular, our Liaobu Laboratory was approved by our largest customer during the Track Record Period, an internationally renowned performance apparel, footwear and accessories headquartered in the U.S. and listed on the New York Stock Exchange, to carry out their designated quality tests on our raw materials.

Our laboratory technicians have various technical skills recognised by the American Association of Textile Chemists and Colorists and the Chinese Testing And Certification Association, and expertise. Moreover, Mr. Philip Yeung, our executive Director who is mainly responsible for overseeing our quality assurance department and setting quality assurance policies and procedures for our products, and the laboratory supervisor of our Liaobu Laboratory had been certified by our third largest customer in FY2017, a sizeable multinational sportswear and accessories company headquartered in Germany and listed on the “Deutsche Boerse” Stock Exchange in Frankfurt, to carry out quality testing on raw materials and finished products.

Our Liaobu Laboratory is mainly divided into the following testing teams that are led by our laboratory supervisor who has over 20 years of experience in laboratory testing for manufacturing industries:

- **materials test team**, which is responsible for testing of raw materials developed by our product development team with our suppliers or customers during the product development stage, as well as sample testing of raw materials procured from new suppliers;
- **finished goods test team**, which is responsible for testing of new products developed by our product development team, as well as our finished goods where required by our customers; and
- **calibration team**, which is responsible for the maintenance and calibration of our testing equipment to monitor the accuracy of their measurements, which is essential to ensure our works conform to our customers’ specifications with satisfactory level of precision.

Our laboratories are equipped to inspect various aspects of our raw materials and finished goods, such as durability, water resistance, tension resistance and colour fastness, to determine if they meet international standards and/or our customers’ requirements. Set out below are some examples of our major equipment:



Bag handle jerk tester to test the strength of buckle and overall structure of finished goods



Waterproofness testing machine to test the waterproof level of raw materials



Martindale abrasion machine to evaluate abrasion resistance of textile materials

### **Raw Materials**

To enhance our control over the quality of raw materials provided by our suppliers, we maintain an approved list of suppliers selected based on our multi-dimensional selection criteria, and we evaluate our approved suppliers' performance from time to time and convene supplier quality improvement meetings. For more details on our quality control measures over our suppliers, please refer to "Suppliers and Subcontractors – Supplier and Subcontractor Selection" in this section below.

Our incoming material quality control (IQC) measures begin with the sample testing of inbound material at our laboratory. In respect of inbound fabric, our quality control personnel will check the colour consistence, quality consistence in terms of texture or thickness etc as well as any defects noted. In respect of inbound accessories such as zippers and buckles, our accessories inspection team will inspect our customer's brand logo appearing on such inbound accessories to ensure that there are no functional or aesthetical defects.

Our secondary processing product inspection team handles the inspection of pre-processed components such as silkscreen printed or embroidered fabrics and glued items before they are passed on for further processing or assembly. All embroidered pieces shall also pass through our tunnel metal detectors to ensure they contain no needles or broken needles that may disrupt subsequent production processes or pose safety risks to our employees or end customers.

Only raw materials that conform to our requirements will be passed to our production lines or subcontractors for further processing. Depending on the production schedule, approved raw materials may be temporarily stored in our warehouse in the relevant area designated for each customer to ensure that the right raw materials that have been inspected and tested in accordance with the relevant customer's requirements will be used in the production of bags and packs for that customer.

Materials that do not pass the above inspection tests will then be clearly labelled and sent to our material rejection area that is clearly delineated from the rest of our production area, where our quality control personnel will input their details including, among others, purchase order number and cause of defects into our record system and the defective raw materials will then be returned to our suppliers.

We request quality and material testing report from our raw material suppliers from time to time, and may engage third party laboratory to conduct chemical composition testing where required by our customers or where we consider necessary.

### **Semi-finished Goods**

Under our inline production quality control (IPQC) measures, our production personnel and our inline production quality control personnel monitor each stage of the production process and inspect the semi-finished goods against sample products that have been pre-approved for quality benchmarking.

In respect of cutting processes, our production team will carry out visual inspection on cut fabrics after the cutting process to check, for example, whether the cutting of raw material are done in accordance with the specified pattern.

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In respect of sewing processes, our inline production quality control personnel will inspect the first article produced under every sewing process to check its sewing quality. If any defect is observed in the first article inspected, the defect will be reported to our sewing leaders in a timely manner for quality improvement and tracking of substandard product produced prior to such reporting. A quality report on the defect observed is also required to be filed for records. After inspection of the first article produced, our inline production quality control personnel will proceed to inspect all semi-finished goods under every important sewing process on hourly basis.

To ensure the safety of our products and as part of our metal free control, whenever a broken needle is discovered at a sewing machine in our production line, all semi-finished goods around that sewing machine have to pass through metal inspection to locate the entire broken needle. We also replace the needle at each sewing machine every three days regardless of whether it is broken or damaged as a preventive measure to better ensure the condition of the needles and performance of our sewing machines.

Similar metal free control measures apply to the needles of our tag guns used for fixating product tags to our products. Each tag gun is labelled with the relevant worker's name for his exclusive use to facilitate the tracking of any broken needles and all tag guns shall be collected for needle inspection by the production supervisor on daily basis.

### **Finished Goods**

Under our final quality control measures, our finished products will generally be inspected again at the end of each sewing line and, where required by our customers, tested by our testing laboratory.

All finished products are then packaged and scanned thoroughly from inside to outside by our metal detectors as part of our safety inspection to ensure that all pockets, the front, back and bottom panels, and the shoulder straps of the finished bags and packs do not contain any needle or unwanted metal scraps.

The approved finished goods are subsequently stored in our finished goods warehouse before delivery. To ensure the safety of our packaged finished goods, our warehouses are subject to 24-hour surveillance, only our authorised employees are allowed to enter our warehouses and responsible for loading our packaged products onto the delivery trucks.

Our customers generally have their specific acceptance procedures. For instance, they monitor the production process and quality of finished goods by arranging for their quality control personnel to perform on-site inspection. In addition, our customers may require our products to be sample checked.

### **Product Warranty and Return Policy**

While we provide a one-year warranty for our proprietary branded products as stated in "Proprietary Brand" in this section below, we generally do not offer warranty for our products manufactured for our brand owner customers, but we are generally responsible for compensation for defective or sub-standard products.

The allocation of liability for product defects between us and our customers follows the delivery terms adopted in our customers' purchase orders, which is generally by FOB origin. Risks of our products are therefore generally passed to our customers upon delivery of our products to the designated location of the relevant customer.

Once we receive any complaint against our products, our sales personnel will conduct a preliminary assessment on the complaint for our product development and quality control team to follow up, carry out an investigation on the cause for the product quality issue concerned, and implement corresponding improvement

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measures. If our customer requests for product return in respect of an alleged product defect, our quality control team will inspect and arrange testing of the relevant batch of products supplied in order to analyse the cause of the product defect. Where the product defect is not caused by our Group or our suppliers and/or subcontractors, our sales personnel will explain the results of our quality inspection and testing against the relevant products to the complainer and undergo related relationship management procedures. Where the product defect is due to faults of our suppliers and/or subcontractors, we request them to reimburse us for the compensation on product defects paid by us to our customers. Where we are responsible for the product defect concerned, we will designate mitigation procedures to appease the complainer and develop corresponding improvement and prevention measures to minimise the risks of re-occurrence of similar product defects. Our product development and quality control personnel are responsible for tracking the enforcement progress of such improvement and prevention measures and will evaluate and keep records of the effectiveness of such measures. The complaint case will be closed after the product defect issue is resolved and the improvement and prevention measures are confirmed to be effective.

During the Track Record Period and up to the Latest Practicable Date, nature of product deficiencies identified included broken stitches, excessive thread in stitches and needle holes in our products which we considered to be minor deficiencies. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not receive any major customer complaints on product quality, and there had been no massive recall on our products.

### CUSTOMERS

#### Export Destinations and Sales Locations

For FY2015, FY2016 and FY2017, we had over 40, 35 and 30 brand owner customers respectively, which are mainly well-known multinational sports and lifestyle brand owners headquartered in the U.S., Germany and Italy, and their agents, licensees and distributors. These customers purchase their products from us directly.

During the Track Record Period, we also engaged in sales of our proprietary branded products to end customers in Taiwan, which represented an insignificant portion of our total revenue.

During the Track Record Period, our products were shipped to over 85 countries and mainly to North America, Asia, and Europe. The following table sets out the breakdown of our revenue by destination of delivery of our products during the Track Record Period:

Geographical location <sup>(1)</sup>	FY2015		FY2016		FY2017	
	Revenue (US\$'000)	% of total revenue (%)	Revenue (US\$'000)	% of total revenue (%)	Revenue (US\$'000)	% of total revenue (%)
North America <sup>(2)</sup>	117,947	52.3	117,500	53.3	124,943	48.3
Asia <sup>(3)</sup>	64,454	28.6	60,051	27.2	80,850	31.3
Europe <sup>(4)</sup>	35,632	15.8	33,980	15.4	44,890	17.4
South America <sup>(5)</sup>	5,117	2.3	5,449	2.5	5,301	2.1
Oceania <sup>(6)</sup>	1,932	0.9	1,895	0.9	2,282	0.9
Africa <sup>(7)</sup>	260	0.1	1,582	0.7	232	0.0
Total	<u>225,342</u>	<u>100.0</u>	<u>220,457</u>	<u>100.0</u>	<u>258,498</u>	<u>100.0</u>

Notes:

(1) This provides a geographical breakdown of our revenue by destination of delivery.

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- (2) This includes, among others, the U.S., Canada and Mexico. Revenue from sales to the U.S. accounted for 48.7%, 49.2% and 44.6% of our total revenue for FY2015, FY2016 and FY2017, respectively.
- (3) This includes, among others, the Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Singapore, Taiwan and the Philippines. Revenue from sales to the Mainland China and Japan accounted for 15.3%, 11.5% and 15.8% of our total revenue, and 5.3%, 7.0% and 6.0% of our total revenue, for FY2015, FY2016 and FY2017 respectively.
- (4) This includes, among others, Belgium, France, Germany, Greece, Italy, the Netherlands, Russia, Spain, Sweden, Ukraine, and the U.K.. Revenue from sales to the Netherlands and the U.K. accounted for 7.2%, 4.7% and 12.1% of our total revenue, and 0.5%, 4.8% and 0.9% of our total revenue, for FY2015, FY2016 and FY2017 respectively.
- (5) This includes, among others, Argentina, Brazil, Chile, Columbia, Peru, Venezuela and Uruguay.
- (6) This comprises Australia and New Zealand.
- (7) This includes Egypt, Morocco, South Africa and Tunisia.

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### Major Customers

For FY2015, FY2016 and FY2017, revenue generated from sales to our five largest customers were approximately US\$149.6 million, US\$153.8 million and US\$188.5 million, respectively, which accounted for approximately 66.4%, 69.9% and 72.9% of our total revenue for the corresponding financial year respectively.

Revenue generated from sales to our largest customer for FY2015, FY2016 and FY2017 were approximately US\$45.6 million, US\$55.7 million and US\$70.3 million respectively, which accounted for 20.2%, 25.3% and 27.2% of our total revenue for the corresponding financial year respectively.

As at the Latest Practicable Date, we had established relationship with our five largest customers during the Track Record Period ranging from 9 years to 24 years. The table below sets out the information of our five largest customers during the Track Record Period:

#### **For FY2015:**

Customer	Country	Customer's profile	Our principal products purchased by the customer	Year commencing business relationship with us	Our sales to the customer in the year (% of our total revenue) (US\$'000)		
Customer A	U.S.	An international company headquartered in Maryland, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$9.6 billion as at the Latest Practicable Date, which is principally engaged in the development, marketing and distribution of performance apparel, footwear and accessories for men, women and youth, with its products sold worldwide.	Outdoor & sporting bags and packs	2009	45,612	20.2	
Customer B	Germany	A multinational corporation headquartered in Germany and listed on the "Deutsche Boerse" Stock Exchange in Frankfurt with a market capitalisation of €39.7 billion as at the Latest Practicable Date, which is principally engaged in the design and manufacture of sportswear including shoes, clothing and accessories, with its products sold to customers globally.	Outdoor & sporting bags and packs	1994	34,858	15.5	
Customer C	U.S.	An international apparel, footwear, accessories and backpack company headquartered in North Carolina, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$33.1 billion as at the Latest Practicable Date, which offers a broad spectrum of lifestyle products internationally under over 30 brands.	Outdoor & sporting, and fashion & casual bags and packs	1999	34,381	15.3	
DayMen Asia Limited	U.S.	A company headquartered in California, the U.S. and a wholly-owned subsidiary of a global photographic and video equipment company listed on the London Stock Exchange with a market capitalisation of £613.5 million as at the Latest Practicable Date, which designs and manufactures backpacks, cases and camera bags for carrying portable electronic and photographic devices under the trade name "Lowepr".	Functional bags and packs	2005	22,814	10.1	
Customer D	Italy	A company listed on the Milan Stock Exchange with a market capitalisation of €26.6 billion as at the Latest Practicable Date, and principally engaged in the design, development and manufacture of sports performance equipment including backpacks, goggles and lifestyle pieces such as sunglasses.	Fashion & casual bags and packs	2000	11,950	5.3	
<b>Total sales derived from our five largest customers</b>						149,615	66.4



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### **For FY2016:**

Customer	Country	Customer's profile	Our principal products purchased by the customer	Year commencing business relationship with us	Our sales to the customer in the year		
					(US\$'000)	(% of our total revenue)	
Customer A	U.S.	An international company headquartered in Maryland, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$9.6 billion as at the Latest Practicable Date, which is principally engaged in the development, marketing and distribution of performance apparel, footwear and accessories for men, women and youth, with its products sold worldwide.	Outdoor & sporting bags and packs	2009	55,682	25.3	
Customer C	U.S.	An international apparel, footwear, accessories and backpack company headquartered in North Carolina, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$33.1 billion as at the Latest Practicable Date, which offers a broad spectrum of lifestyle products internationally under over 30 brands.	Outdoor & sporting and fashion & casual bags and packs	1999	42,049	19.1	
Customer B	Germany	A multinational corporation headquartered in Germany and listed on the "Deutsche Boerse" Stock Exchange in Frankfurt with a market capitalisation of €39.7 billion as at the Latest Practicable Date, which is principally engaged in the design and manufacture of sportswear including shoes, clothing and accessories, with its products sold to customers globally.	Outdoor & sporting bags and packs	1994	31,923	14.5	
Customer E	U.S.	An online retailer of travel bags and accessories based in the U.S., and a wholly-owned subsidiary of a global travel luggage company with its shares listed on the Main Board of the Stock Exchange with a market capitalisation of HK\$41.4 billion as at the Latest Practicable Date.	Functional bags and packs	2000	13,585	6.2	
Customer D	Italy	A company listed on the Milan Stock Exchange with a market capitalisation of €26.6 billion as at the Latest Practicable Date and principally engaged in the design, development and manufacture of sports performance equipment including backpacks, goggles and lifestyle pieces such as sunglasses.	Fashion & casual bags and packs	2000	10,557	4.8	
<b>Total sales derived from our five largest customers</b>						<b>153,796</b>	<b>69.9</b>

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### **For FY2017:**

Customer	Country	Customer's profile	Our principal products purchased by the customer	Year commencing business relationship with us	Our sales to the customer in the year		
					(US\$'000)	(% of our total revenue)	
Customer A	U.S.	An international company headquartered in Maryland, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$9.6 billion as at the Latest Practicable Date, which is principally engaged in the development, marketing and distribution of performance apparel, footwear and accessories for men, women and youth, with its products sold worldwide.	Outdoor & sporting bags and packs	2009	70,286	27.2	
Customer C	U.S.	An international apparel, footwear, accessories and backpack company headquartered in North Carolina, the U.S. and listed on the New York Stock Exchange with a market capitalisation of US\$33.1 billion as at the Latest Practicable Date, which offers a broad spectrum of lifestyle products internationally under over 30 brands.	Outdoor & sporting, and fashion & casual bags and packs	1999	45,574	17.6	
Customer B	Germany	A multinational corporation headquartered in Germany and listed on the "Deutsche Boerse" stock exchange in Frankfurt with a market capitalisation of €39.7 billion as at the Latest Practicable Date, which is principally engaged in the design, and manufacture of sportswear including shoes, clothing, and accessories, with its products sold to customers globally.	Outdoor & sporting bags and packs	1994	38,198	14.8	
DayMen Asia Limited	U.S.	A company headquartered in California, the U.S. and a wholly-owned subsidiary of a global photographic and video equipment company listed on the London Stock Exchange with a market capitalisation of £613.5 million as at the Latest Practicable Date, which designs and manufactures backpacks, cases and camera bags for carrying portable electronic and photographic devices under the trade name "Lowepro".	Functional bags and packs	2005	18,822	7.3	
Customer E	U.S.	An online retailer of travel bags and accessories based in the U.S. and a wholly-owned subsidiary of a global travel luggage company with its shares listed on the Main Board of the Stock Exchange with a market capitalisation of HK\$41.4 billion as at the Latest Practicable Date.	Functional bags and packs	2000	15,571	6.0	
<b>Total sales derived from our five largest customers</b>						188,451	72.9

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All our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their close associates or any Shareholder who, to the best knowledge of our Directors, owned more than 5% of our issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers of our Group during the Track Record Period.

None of our customers are also our suppliers during the Track Record Period and up to the Latest Practicable Date.

### ***Credit and Payment Terms***

Our customers generally settle payment for their purchases from us in U.S. dollars by telegraphic transfer.

We generally do not require pre-payment of deposit from our customers and will bill the entire contract sum after product delivery.

During the Track Record Period, we generally granted to our customers a credit period ranging from 15 days to 105 days from date of invoice. We assess the credit quality of a potential customer before granting credit to it. For each of FY2015, FY2016 and FY2017, the average trade receivables turnover days were 60 days, 69 days and 63 days, respectively. We did not record any material bad debts during the Track Record Period.

Where we doubt the recoverability of a particular sum of receivables, our practice is to make specific provision for the same amount of receivables. No material provision has been made in this regard during the Track Record Period.

## **SALES**

### **Our Sales Team**

Our sales department is principally responsible for handling purchase orders received from our customers, co-ordinating with our factories for execution of purchase orders, and communicating with customers on their requests and feedbacks as well as possible business opportunities.

### **Our Sales Representative and Sales Agent**

During the Track Record Period, we engaged the services of a sales representative to assist in conducting market research in the U.S. to facilitate our understanding of the market preferences and competitive environment in the U.S., and provides a cost-effective means of extending the reach of our sales and marketing team by identifying potential customers and expanding our customer and sales network in the U.S.. While our sales representative generally acts as local liaison with our customers in the U.S., our customers directly place purchase orders with our Group. Sales consultancy fee incurred for the services of this sales representative amounted to approximately US\$0.1 million, US\$0.2 million and US\$0.2 million for FY2015, FY2016 and FY2017 respectively.

We also engaged the services of a sales agent to introduce brand owner customers to our Group. Brand owner customers referred to us by this sales agent directly place purchase orders with our Group and we directly ship our products to these brand owner customers. Sales commission paid to this sales agent on businesses successfully introduced to our Group amounted to approximately US\$0.9 million, US\$0.4 million and US\$0.8 million for FY2015, FY2016 and FY2017 respectively.

### Sales Process with our Brand Owner Customers

We believe we mainly attract new customers through building up a business reputation with our reliable services and high quality products.

Our major customers generally place orders with us for products with carry-on designs on regular basis and we generally manufacture according to the purchase order issued by our customers. For products with new designs, we generally provide an indicative ex-factory unit price for finished goods based on primary production data of the proposed new product during the product development stage, and may update the indicative ex-factory unit price to reflect the costing impact of modifications to the product specifications and other changes agreed with our customers during the development of prototypes. Once our customer has approved the product design and is agreeable to our proposed ex-factory unit price, they will proceed to confirm their purchase order with us. The confirmed sales terms including unit price, quantity, delivery schedule, means of transportation, credit and payment terms will be set out in a written purchase order.

We do not have long term purchase commitments from our customers. We typically enter into customer framework agreements with our major customers setting forth general terms that govern each purchase order, or are otherwise provided with a set of master terms and conditions by our major customers to which each purchase order placed by them with us shall be subject. We believe that such practice is in line with the general practice of the bags and packs manufacturing and SCM market. The major terms of our existing framework agreements with our major customers or the master terms and conditions prescribed by them are set out as follows:

- **No Exclusivity:** no obligation of exclusivity was imposed on our major customers;
- **Duration:** The framework agreements are generally effective from their respective commencement dates and shall continue until terminated by either party in accordance with the terms set out therein.
- **Purchase Order:** Orders for products shall be made by our customers through the issuance of a purchase order to us.
- **Pricing:** The terms of sale for the products including pricing shall be separately agreed under each purchase order placed with our Group. Failure to meet the agreed delivery date and terms required by our customer may result in adjustments to the price and other terms in the purchase order.
- **Title Transfer:** Title in finished goods manufactured by our Group shall generally be transferred to our customer upon its delivery by us in accordance with the agreed delivery terms. We are responsible for all costs, care and liability of finished goods until such transfer in title.
- **Our Obligations:** we were generally required to:
  - (a) maintain equipment, facilities and other resources required to support, and to produce products in sufficient quantities to meet our customers' production needs in a given period or otherwise develop a contingency plan; and
  - (b) comply with, among others, (i) production manuals and codes of conduct prescribed by our major customers in respect of product quality and specifications, occupational health and safety, legal compliance and environmental protection, and (ii) all applicable international laws, rules and regulations or the purchase orders. For more details, please refer to "Health, Work Safety, Social and Environmental Matters" in this section below.

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- **Use of Intellectual Properties:** All intellectual property conceived, developed or reduced to practice by our Group (whether on individual basis or in conjunction with our customer and/or third parties) in the course of our performance of the framework agreements or the purchase orders, shall be the sole property of our relevant customer. We shall take steps to protect their intellectual property rights, and shall not use or commercialise the intellectual property of our customers without obtaining their prior approval.
- **Termination:** Our major customers shall be entitled to terminate the framework agreements entered into with us or purchase orders placed with us with immediate effect if, among others:
  - (a) we are unable to carry out product development or production as required by our major customers, or are otherwise unable to produce the products in accordance with the product specifications prescribed by our major customers;
  - (b) we fail to make timely delivery of products ordered by our major customers; and/or
  - (c) we commit a material breach of any terms therein and such breach remains uncured.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in fulfilling our customers' orders that result in material adverse effect in our results of operation and financial position.

### **Sales Process for our Proprietary Brand**

Our sales team for our proprietary brands consisted of 26 sales staff as of 31 December 2017 and has been dedicated to selling our proprietary branded products to our customers through our direct-operated department store concession counters at six premium locations in Taiwan and our outlet store in Taoyuan City, Taiwan, and through our online sales platform.

During the Track Record Period, we also engaged wholesale distributors in Taiwan to sell and distribute our proprietary branded products, which we believe could allow us to save costs in negotiating with and managing local retailers, and expand our sales network more quickly and effectively by leveraging on the established network and sales channels of our distributors. Revenue generated from distributorship sales was insignificant during the Track Record Period, accounting for less than 1% of our total revenue for FY2015, FY2016 and FY2017 respectively.

For more details on the sales process for our proprietary branded products, please refer to "Proprietary Brand" in this section below.

### **Pricing Policy**

The price which we charge varies depending on negotiations with our customers. We generally price our products on cost plus basis and set our target profit margins taking into account factors such as import tariff borne by our customers as well as market ex-factory prices of similar products. We estimate our costs for manufacturing the product taking into account raw material, labour costs and other manufacturing overhead, production time available and complexity in design and manufacturing.

**Seasonality**

Demand for our bags and packs products is seasonal. Our sales performance is historically stronger during the period from April to June driven primarily by higher demand from our customers towards their products launch before the commencement of academic year in September. The seasonality fluctuations may affect our sales performance and utilisation rate of our production facilities.

**PROPRIETARY BRAND**

Apart from sales of bags and packs produced for our customers, we also derived our revenue from sales of our proprietary branded products under an original brand manufacturer (OBM) basis. With our experience in the global recreational bags and packs manufacturing and SCM market and our multi-regional manufacturing platform, we have been developing different brands of bags and packs from time to time to understand market preferences, and first launched our proprietary brand, PROMAX, in 2007 and positioned it as a fashion bags and packs brand. To capture the growing preferences for high-end lifestyles and taste in high culture among the young and high income population in Taiwan, we rebranded PROMAX into MAISON PROMAX in 2017, an entry-level luxury fashion brand with elements inspired by French design, which offers a range of art inspired and fashion forward bags, packs and small leather goods developed by our internal designer team. We sell our MAISON PROMAX products through (i) direct-operated department store concession counters at six premium locations in Taiwan, (ii) a leased outlet store in Taoyuan City, Taiwan, (iii) our online sales platform, and (iv) our distributorship network in Taiwan. For FY2015, FY2016 and FY2017, the revenue contribution from sales of our proprietary branded products amounted to approximately US\$2.1 million, US\$2.5 million and US\$2.3 million respectively and accounted for 1.0% and 1.2%, 0.9% of our total revenue respectively.

To establish the market positioning of MAISON PROMAX as an entry-level luxury fashion brand, we endeavour to utilise high quality nylon, canvas, and other unconventional fabrics together with genuine leather to emphasise the quality, craftsmanship and design of MAISON PROMAX products on one hand, and adopt an entry-level luxury retail pricing strategy for MAISON PROMAX products to accelerate our penetration into the young consumer market in Taiwan and promote brand awareness on the other hand. We believe that our MAISON PROMAX products will not be in direct competition with our existing major customers since our MAISON PROMAX products typically target the high fashion and entry-luxury bags and packs market segment, while our major customers generally focus on the outdoor & sporting and functional bags and packs market segments, and the price range of our MAISON PROMAX products is generally higher than that of our major customers' products.

The production process for our MAISON PROMAX products is similar to that for bags and packs manufactured for our customers, and is also characterised by the product development, pre-production, production and distribution stages, save that there is no customer participation throughout the production process and product development is initiated and controlled by our proprietary brand designer team based in Guangzhou Glorieux. Moreover, purchase orders for our proprietary branded products are placed with our Guangzhou Production Base by the designated sales team of our proprietary brand based on our sales forecast and sales performance. Our designers for the MAISON PROMAX products are independent and work on separate teams from the product development teams for the bags and packs developed and manufactured for our brand owner customers. Furthermore, the internal measures in place to protect our propriety information arising out of the production process of our proprietary branded products are the same as those adopted for the protection of our customers' intellectual properties during the production process of bags and packs ordered by them.

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We generally manufacture non-leather products of our proprietary brand with the production lines at our Guangzhou Production Base that are designated to our proprietary brand. In respect of small leather goods and high leather content products of our proprietary brand, our designer team at our Guangzhou Production Base develops our in-house designs and outsource their manufacture to third-party leather goods production facilities. We believe this dual production model would allow us to (i) focus our resources on the design and development of our proprietary branded products, (ii) gain access to the production knowhow of leather goods through cooperation with experienced leather goods production facilities, and (iii) deliver our proprietary branded products to the market with guaranteed quality, speed and volume. MAISON PROMAX releases new collections twice a year, including the Spring/Summer collection and the Fall/Winter collection. To prepare for the bi-yearly product launch, we may maintain inventory of our proprietary branded products for up to six months before they are launched in the Taiwan market. Any proprietary branded products released to the Taiwan that do not meet our retail sales target will be transported to our outlet store in Taiwan for sale at a discount.

All MAISON PROMAX products come with a warranty card, which entitles each customer free repair services for MAISON PROMAX products purchased within one year of the original purchase date from MAISON PROMAX stores, MAISONPROMAX.COM, and/or any other MAISON PROMAX-authorized retailers. Depending on the sales channel where the MAISON PROMAX products were sold, merchandise may be exchanged within one month of the original purchase date, or may be returned for a full refund (except personalised items) within seven days of the original purchase date.

The daily operations, business development, management and administration of our MAISON PROMAX retail business is managed by our proprietary brand sales team based in our Taiwan office, which is headed by our operation manager with over ten years of experience in retail chain management in Taiwan. Our sales team of proprietary brand consisted of 26 sales staff as of 31 December 2017 and has been dedicated to selling our MAISON PROMAX products to our retail customers and serve them at our direct-operated department store concession counters in Taiwan and through our online sales platform. We propose to expand our sales network by establishing three additional direct-operated department store concession counters in premium locations in Taiwan, which is expected to commence business in or around 2019, and by enhancing our brand website to receive international orders outside the Taiwan market. During the Track Record Period, we also engaged wholesale distributors in Taiwan to sell and distribute our proprietary branded products, which we believe could allow us to save costs in negotiating with and managing local retailers, and expand our sales network more quickly and effectively by leveraging on the established network and sales channels of our distributors. Revenue generated from distributorship sales was insignificant during the Track Record Period, accounting for less than 1% of our total revenue for FY2015, FY2016 and FY2017 respectively.

We have promoted our MAISON PROMAX products through different marketing channels, including mass media, such as magazines and social media, in-store promotion campaigns and fashion shows. All marketing related activities including product launch events, advertising campaign, and media placement are planned and conducted internally by our MAISON PROMAX team. As part of our business strategy to further boost the brand awareness and expand the global market share of our proprietary brand, we are planning to equip and upgrade our e-commerce system in order to receive purchase orders from international clients, and identify distributors with high potential in fashion capitals such as Tokyo and Hong Kong to join our distributorship network and leverage on their established local business presence and local service teams to distribute and market our MAISON PROMAX products in our target overseas markets. In addition, we intend to upgrade our point of sales and customer relations management systems to enhance the efficiency of our sales process and better understand sales pattern and consumer preference of our MAISON PROMAX products, which will not only support the international sales and delivery of our MAISON PROMAX products under the strengthened e-commerce platform, but will also enable us to strategically direct our resources to the development of more popular and receptive designs and products under our proprietary brand and formulate more effective sales and marketing strategies.



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The operation manager of our proprietary brand sales team is supported by two sales supervisors with over six years of relevant experience in the retail industry in Taiwan and carries out functions including training and development of sales teams, sales management and sales channels development. We believe the size and experience of our proprietary brand sales team provides a solid foundation for the future growth of our retail business and expect to expand our retail team as our retail network grows.

### SUPPLIERS AND SUBCONTRACTORS

Our suppliers include suppliers of various raw materials, auxiliary components and packaging materials. In addition, we also engage subcontractors to perform outsourced production steps for us at their own factories to fulfil our customers' orders during the Track Record Period.

#### Suppliers

We purchased from over 625, 560, and 500 suppliers for FY2015, FY2016 and FY2017 respectively.

Most of our suppliers of principal raw materials are situated in Taiwan and the PRC but we also procure raw materials from Vietnam, Thailand and Korea.

Our total purchases from our suppliers for FY2015, FY2016 and FY2017 were US\$97.8 million, US\$96.4 million and US\$104.9 million respectively, which accounted for 56.5%, 58.3% and 53.7% of our total cost of sales for the corresponding financial year respectively.

#### Major Suppliers

For FY2015, FY2016 and FY2017, purchases from our five largest suppliers were US\$20.5 million, US\$22.6 million and US\$25.7 million respectively, which amounted to 21.0%, 23.5% and 24.5% of our total purchases for the corresponding financial year respectively.

Purchases from our largest supplier for FY2015, FY2016 and FY2017 were US\$5.4 million, US\$6.5 million and US\$7.1 million respectively, which accounted for approximately 5.5%, 6.7% and 6.7% of our total purchases for the corresponding financial year, respectively.

As at the Latest Practicable Date, we have established business relationships with our five largest suppliers during the Track Record Period ranging from 9 years to 19 years.

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The table below sets out the information of our five largest suppliers during the Track Record Period:

**For FY2015:**

Supplier	Country	Supplier's principal business	Principal products purchased by us from the supplier	Year commencing business relationship with us	Our purchases from the supplier in the year (% of our total purchases) (US\$'000)
Supplier A	Taiwan	Manufacturing and trading of zippers, buckles and related materials as well as building materials	Zippers, buckles and related materials	1999	5,373 5.5
Supplier B	Taiwan	Manufacturing and trading of synthetic leather and related products	Synthetic leather made with thermoplastic polyurethane (TPU)	2009	4,468 4.6
Suppliers C and D	Taiwan	Manufacturing and trading of nylon polyester fabric	Nylon and polyester	1999	4,317 4.4
Suppliers E, F and G	Suzhou, the PRC	Manufacturing and trading of textile, apparel and certain daily necessities	Nylon and polyester	2010	3,542 3.6
Suppliers H and I	Shenzhen, the PRC	Manufacture and wholesale of textile products	Knitted ropes and related materials	1999	2,835 2.9
<b>Total purchases from our five largest suppliers</b>					<b>20,535 21.0</b>

**For FY2016:**

Supplier	Country	Supplier's principal business	Principal products purchased by us from the supplier	Year commencing business relationship with us	Our purchases from the supplier in the year (% of our total purchases) (US\$'000)
Supplier A	Taiwan	Manufacturing and trading of zippers, buckles and related materials as well as building materials	Zippers, buckles and related materials	1999	6,461 6.7
Suppliers E, F and G	Suzhou, the PRC	Manufacture and trading of textile, apparel and certain daily necessities	Nylon and polyester	2010	5,657 5.9
Supplier B	Taiwan	Manufacturing and trading of synthetic leather and related products	Synthetic leather made with thermoplastic polyurethane (TPU)	2009	4,205 4.4
Suppliers H and I	Shenzhen, the PRC	Manufacturing and wholesale of textile products	Knitted ropes and related materials	1999	3,311 3.4
Suppliers C and D	Taiwan	Manufacturing and trading of nylon polyester fabric	Nylon and polyester	1999	2,946 3.1
<b>Total purchases from our five largest suppliers</b>					<b>22,580 23.5</b>

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**For FY2017:**

Supplier	Country	Supplier's principal business	Principal products purchased by us from the supplier	Year commencing business relationship with us	Our purchases from the supplier in the year (% of our total purchases) (US\$'000)	
Supplier A	Taiwan	Manufacturing and trading of zippers, buckles and related materials as well as building materials	Zippers, buckles and related materials	1999	7,060	6.7
Suppliers E, F and G	Suzhou, the PRC	Manufacture and trading of textile, apparel and certain daily necessities	Nylon and polyester	2010	6,658	6.3
Supplier B	Taiwan	Manufacturing and trading of synthetic leather and related products	Synthetic leather made with thermoplastic polyurethane (TPU)	2009	4,872	4.6
Suppliers C and D	Taiwan	Manufacturing and trading of nylon polyester fabric	Nylon and polyester	1999	3,633	3.5
Supplier J	Taiwan	Manufacturing and trading of nylon polyester fabric	Nylon and polyester	2002	3,463	3.4
<b>Total purchases from our five largest suppliers</b>					<b>25,686</b>	<b>24.5</b>

*Notes:*

- (1) Suppliers C and D are companies under common control.
- (2) Suppliers E, F and G are companies under common control.
- (3) Suppliers H and I are companies under common control.

The manner in which we pay our suppliers varies, ranging from cash on delivery, telegraphic transfer before shipment, and telegraphic transfer on monthly basis within 45 to 60 days following the end of each month in which our Group placed orders with the relevant suppliers.

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

**Subcontractors**

During the Track Record Period, we engaged subcontractors to undertake some of our production steps such as gluing, sewing, embroidery and silkscreen printing through off-site subcontracting arrangements on an as-needed basis. To avoid over-reliance on a few subcontractors, we cooperate with multiple subcontractors for each particular type of subcontracting work and had over 190, 160 and 200 subcontractors for FY2015, FY2016 and FY2017 respectively, which are mainly embroidery manufacturers and silkscreen printing facilities based in the PRC and Vietnam. All our subcontractors during the Track Record Period and up to the Latest Practicable Date are Independent Third Parties.

We do not enter into long term agreement with subcontractors but engage them on order-by-order basis to maintain flexibility based on our production needs. As part of our pre-production planning, we may place orders with our subcontractors for services where required after receiving an order from our customer and assessing our internal production capacity, and agree on the terms of cooperation such as delivery schedule, quantity, unit price, payment and credit terms every time we place a purchase order with them.

Subcontracting fees paid to our subcontractors were calculated based on the number of product parts or raw materials processed by our subcontractors and are determined on arm's length basis. For FY2015, FY2016 and FY2017, subcontracting expenses paid to our subcontractors were US\$21.3 million, US\$21.2 million and US\$28.9 million respectively, which respectively accounted for 12.3%, 12.8% and 14.8% of our total cost of sales during the Track Record Period.

As part of our quality control measures, subcontractors are required to carry out the outsourced procedures in accordance with our customers' specifications and requirements, and the work of our subcontractors are subject to our quality control inspections and where applicable, testings. During the Track Record Period, there is no material non-performance incident with our subcontractors, and we did not experience any material disputes with our subcontractors.

**Supplier and Subcontractor Selection*****Suppliers***

Our customers generally indicate to us their approved suppliers for certain raw materials, and we are required to procure such raw materials only from their approved suppliers. In cases where our customers do not specify any designated suppliers, we select suppliers from our approved suppliers list based on product specifications and delivery schedule.

We believe supplier selection is critical to maintaining good quality of our products, which is fundamental to the sustainability of our business as a bags and packs manufacturing and SCM company. Before we list a new supplier as our approved supplier and place orders with them for raw materials to be utilised in the mass production of our products, we will look into its operating model to assess its scale of operation, production capacity and ability to produce raw materials in fulfilment of our customers' requirements. To avoid shortage or delay in supply, we generally maintain a few suppliers for each type of major raw materials on our approved suppliers list selected based on the edge advantage and quality of their raw materials. In addition, we appraise the performance of our suppliers from time to time based on their track record performance and our cooperation experience with them. We generally obtain price quotations from various potential suppliers and conduct quality tests on their raw materials before we finalise the selection of suppliers with our customers for our purchase orders.

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### ***Subcontractors***

We select our subcontractors taking into account factors such as quality, price, reliability, manufacturing capacity, lead time, and our past experiences when conducting business with them.

We will also send our quality control personnel to our subcontractors' production base to inspect their production process to ensure the quality standard of their work.

### **PROCUREMENT AND INVENTORY**

#### **Raw Materials**

Our principal raw materials include synthetic leather made with thermoplastic polyurethane (TPU), nylon, PU, knitted ropes, polyester and metallic components such as zippers, clamps and buckles.

We generally use TPU, nylon, PU or a mixture of any of such materials as a primary surface material and use fabric as lining of our products.

#### **Procurement Process**

Our procurement department procures raw materials for our production bases in the PRC and Vietnam and such raw materials are subject to inspection before they are further processed for manufacturing use.

As our customers have specific requirements on each type of raw materials for different products, we generally do not maintain inventory of raw materials and will only purchase raw materials after we have received confirmed purchase orders from our customers and the selection of the required raw materials have been confirmed. We believe our procurement practice minimises excessive or obsolete raw materials and has reasonably managed fluctuations of prices of raw materials.

Since most of the principal raw materials used in our production are readily available in the market, we have not entered into any long term supply contracts with our suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in sourcing materials or components for our production which results in disruption of production with adverse material impact on our results of operation and financial conditions.

#### **Inventory Management**

##### ***Raw materials***

We manage our inventory with our ERP system to accurately monitor the movements and utilisation of our raw materials inventory and assure sufficient supply of raw materials to support our production on a continuous basis. In order to avoid accumulating large inventories of raw materials and the risk of inventory obsolescence, we generally only place orders for raw materials until after we have received confirmed purchase orders from our customers, and time the delivery of each batch the raw materials required for our purchase orders in a manner that is coordinated with our production schedule and commensurate with our customers' requested delivery dates.

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

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It is our policy to make provisions for obsolete, excessive and slow-moving stocks, other than the materials that are common and required in most of our production processes. For FY2015, FY2016 and FY2017, no provisions for obsolete, excessive and damaged inventory was made.

### ***Finished Goods***

As our products are mainly made to order, we do not generally maintain excessive finished goods inventory. For the inventory management of our proprietary branded products, please refer to “Proprietary Brand” in this section above.

### **Cost Controls**

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

Please refer to “Financial Information – Key Factors Affecting Our Results of Operations – Cost of materials” in this prospectus for details on sensitivity analysis in relation to the impact of changes in costs of materials on our profit before tax during the Track Record Period.

### **MANAGEMENT INFORMATION SYSTEMS**

We have invested in the development of our ERP system to help us consolidate data from each stage of our production, such as our productivity, raw material utilisation, costs and inventory, for our analysis and formulation of strategic plans to improve our manufacturing performance. For instance, it allows us to:

- track the utilisation of our raw materials and the output volume of finished products as well as evaluate the work efficiency of our production lines and manufacturing workers to improve our production efficiency and manage our production scheduling more accurately;
- enable our production lines to respond promptly to changes in customers’ requirements in their product designs during pre-production stages;
- closely monitor our production capacity and utilisation rate to enhance order planning and production scheduling; and
- input production data into our costing and production planning system to improve accuracy of our costing and production processes.

### **MARKET AND COMPETITION**

Our Directors believe that the global bags and packs manufacturing and SCM market is fragmented. In particular, there are more than 10,000 bags and packs manufacturing and SCM companies in China’s bags and packs manufacturing and SCM market. According to the CIC Report, in 2017, China’s bags and packs manufacturing and SCM market accounted for approximately 55% of the global bags and packs manufacturing and SCM market by ex-factory revenue and the top five players took up a share of 17.46% in the global bags and packs manufacturing and SCM market. We ranked third in the global bags and packs manufacturing industry and first in the global recreational bags and packs manufacturing and SCM market by sales revenue in 2017. Our Directors consider that competition within the industry is keen. The key success factors in the industry are: (i) capability to expand organically with a combination of geographic locations; (ii) manufacturing knowhow and customisation for brands; and (iii) full cooperation with leading or successful upstream brand owners. Please see “Risk Factors – Risks Relating to Our Business and Industry” for details of risks we face in our market.

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Even though the global bags and packs manufacturing and SCM industry is becoming increasingly competitive, through our (i) leading market position with established customer base comprising renowned multinational sports and lifestyle brands; (ii) multi-regional manufacturing platform consisting of large-scale and flexible manufacturing facilities; (iii) in-depth knowhow in the manufacture of bags and packs and strong product development capabilities; (iv) established production control system which ensures high product and services quality; and (v) experienced management team with in-depth industry knowledge and a proven track record of delivering business growth, we believe we possess competitive advantages over our competitors.

Please see “Business – Our Competitive Strengths” and “Industry Overview” in this prospectus for further details of our competitive strengths and the market we operate in, respectively.

### AWARDS AND ACCREDITATIONS

Over the years, our Group has received a number of awards and certifications in recognition of our business development and quality standards. Set out below are highlights of some of the major awards and accreditations in respect of our business:

#### Awards and accreditations

#### Issuing entity/institution

“Best Costing Performance 2003”;  
“Best Quality Factory 2004”;  
“Innovation Award 2005”;  
“Reliability Award 2005”;  
“Quality Award 2006”;  
“Quality Award 2007”;  
“2008 Performance Award (Reliability)”;  
“Best Quality Performance 2009”;  
“2010 Performance Award (Quality)”;  
“2011 Performance Award (Quality)”;  
“2012 Performance Award (Availability)”;  
“20-Year Partnership 1993-2013”;  
“2015 Performance Award (Manufacturing Excellence)”; and  
“2017 Performance Award (Manufacturing Excellence/Innovation)”

Customer B, our third largest customer in FY2017, which is a globally leading sportswear and accessories company headquartered in Germany and listed on the “Deutsche Boerse” Stock Exchange in Frankfurt

“2011 Accessories Supplier of the Year”;  
“Accessories Vendor of the Year” in 2015;  
and “2016 Protect this House Award”;

Customer A, our largest customer throughout the Track Record Period, which is an internationally renowned performance apparel, footwear and accessories company headquartered at Maryland, the U.S. and listed on the New York Stock Exchange

GB/T19001-2008/ISO9001:2008 Quality Management System<sup>Note 1</sup>

Shanghai D.A.S. Certification Company Limited

GB/T19001-2008/ISO9001:2008 Quality Management System<sup>Note 2</sup>

Shanghai D.A.S. Certification Company Limited

#### Note:

1. Awarded to Dongguan Excellence
2. Awarded to Dongguan Zerong; Xinfeng; and Guangzhou Kengtou.



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### EMPLOYEES

As at 31 December 2017, we had a total of 9,152 full-time employees. The following table sets forth the number of our full-time employees by function as at 31 December 2015, 2016 and 2017:

Function	Number of employees As at 31 December		
	2015	2016	2017
Directors and senior management	5	5	12
Product development for our third-party brand owner customers and their licensees, agents and distributors	361	366	376
Procurement	85	90	76
Production	6,779	6,574	6,795
Production Control	106	102	110
Quality control	516	579	675
Sales and marketing	179	189	190
Product design for our proprietary brand	5	4	6
Sales and retail management for our proprietary brand	50	45	42
Warehouse and logistics	296	349	371
Administration, and human resources and others	215	307	401
I.T.	22	23	25
Accounting	82	69	73
<b>Total</b>	<u>8,701</u>	<u>8,702</u>	<u>9,152</u>

The number of our employees located in Hong Kong, Macau, Taiwan, the PRC, Vietnam and Cambodia as at 31 December 2017 are 43, 7, 76, 2,968, 6,010 and 48, respectively. We use various means to recruit employees from the external pool of workforce, including web-based advertisements, job fairs, and recruitment agencies. In addition, we provide regular training to our employees to improve their skills and enhance their technical knowhow and knowledge in relevant product quality requirements and work safety. The various training we provide to our employees include general knowhow training, professional skills training, social and environmental affairs training, managerial training, new joiner training, quality control training, and case-study training. We aim to foster a knowledge sharing environment to improve our overall production efficiency with our transparent and year-round economic reward system, which encourages and provides incentives to our employees to share their newly-discovered knowhow with our Group.

We also aim to foster an amicable and motivating environment to enhance our employees' incentives and loyalty to our Group. We offer various employee benefits such as holiday gifts, free shuttle bus services, reimbursed qualification training, funding educational studies, and parent-children activities for out-of-province workers. We also set up various channels for our employees to voice their feedback or concerns, such as labour union meetings, comments box, web-based communication applications, labour dispute mediation committee and employee assistance program.

To maintain our competitiveness amidst industry challenges, we first launched a programme in November 2015 for the implementation of the lean manufacturing model with major focus on productivity improvement at our Vietnam Production Base. Despite our efforts to facilitate our Vietnam workers' understanding of the purpose of the lean manufacturing model and to obtain their feedback through regular meetings and continuous communication prior to the implementation of the lean manufacturing model, our Vietnam workers were dissatisfied with the proposed production capacity target to be achieved under the lean manufacturing model,

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resulting in a strike by a substantial number of workers in our Vietnam Production Base on 20 February 2016. On the same day, our management team had promptly scheduled a meeting with labour representatives of our Vietnam Production Base to understand their concerns and requests, and reached consensus with them to, among others, (i) postpone the implementation of the lean manufacturing model at our Vietnam Production Base and to engage in in-depth communications with our Vietnam workers and issue detailed guidelines on the lean manufacturing model prior to its relaunch, and (ii) adjust the allowance programme for our Vietnam workers to their satisfaction. The strike had accordingly ceased on 22 February 2016, and our Group had successfully relaunched the lean manufacturing model at our Vietnam Production Base with the support of our Vietnam workers in 2017.

During the Track Record Period and up to the Latest Practicable Date, save as that mentioned in this section, there were no material strikes or disputes with our workforce which had any material adverse impact on our business.

### INSURANCE

As at the Latest Practicable Date, we have maintained insurance coverage in relation to our business that our Directors consider is adequate for our size and is customary for our industry, including product liability insurance, employee's compensation insurance, all risk property and vehicle insurance. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our existing insurance coverage may not be sufficient to cover the risks related to our operations and we may incur significant losses resulting from product liability claims or business interruptions" for any risks not covered.

Our Directors confirm that we did not make any material claim on any insurance policy maintained by our Group during the Track Record Period and up to the Latest Practicable Date.

### HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

#### Customers' Codes of Conduct or Production Manuals

Under the framework agreements entered into between our Group and our major customers during the Track Record Period and our customers' master terms and conditions to which each of their purchase orders placed with us are subject, certain major customers require us to abide by their codes of conduct or production manuals in respect of areas including, among others, occupational health and safety, legal compliance and environmental protection. Set out below are some general examples of our major customers' expectations as prescribed in their codes of conduct or production manuals:

- **Health and safety:** We must provide our employees with a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities, and must fully comply with all applicable workplace conditions, safety and environmental laws and regulations;
- **Environment:** We shall comply with all environmental rules, regulations and standards as are applicable to our operations;
- **Non-discrimination:** We shall not discriminate in employment, including with regard to hiring, salary, benefit, advancement, discipline, termination or retirement, whether on the basis of factors such as gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin, and shall treat employees with respect and dignity;

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- **Child labour:** Our customers will not purchase products or components manufactured by persons younger than 15 years of age, or younger than the age of completing compulsory education in the jurisdiction of manufacture where such age is higher than 15;
- **Forced labour:** Our customers will not purchase products or components manufactured with the use of forced labour, whether in the form of prison labour, indentured labour or bonded labour, or otherwise;
- **Wages:** We shall pay employees at least the minimum wage required by local law or the prevailing industry wage and shall provide legally mandated benefits, and shall ensure compensation to our employees for overtime work at such premium rate as is legally required in the jurisdiction of manufacture, or where such laws do not exist in that jurisdiction, at a rate at least equal to their regular hourly compensation rate; and
- **Working hours:** We shall set working hours that comply with the applicable local employment laws of the jurisdiction where our employees are employed in.

In accordance with the respective codes of conduct or production manuals of our major customers, our major customers may conduct on-site inspections of our production facilities to ensure that the requirements as stipulated in their respective codes of conduct have been complied with. In general, our major customers may terminate business with us in the event that we breach their respective codes of conduct or production manuals. Our Directors confirm that there have been no material non-compliance with our customers' respective codes of conduct and production manuals during the Track Record Period and up to the Latest Practicable Date.

### **Laws and Regulations**

Our operations in the PRC, Vietnam and Cambodia are subject to the relevant national and local environmental and work safety laws and regulations in effect from time to time, and our compliance with such laws and regulations are subject to monitoring by the relevant national and local authorities. Please see "Regulatory Overview" for more details on the laws and regulations applicable to our operations.

### **Health and Safety**

In an effort to ensure the occupational health and safety of our employees, we implement operational procedures and safety standards for our production process, such as fire safety, warehouse safety, work-related injuries, and emergency and evacuation procedures. Moreover, we have implemented occupational health and safety measures and systems for our staff, for example, maximum working hours restriction in compliance with local employment laws to minimise workplace injuries and accidents which may result from prolonged working hours, and provision of appropriate protective safety protection gears for production workers. To assess whether our employees are physically capable of performing the production works assigned to them, we also provide regular occupational health checks for them.

We have prescribed an internal operational and safety manual for circulation to our employees and provide our employees with occupational safety education and training to enhance their awareness of occupational safety issues. For instance, training for new workers on various work safety issues contained in our internal operational and safety manual is mandatory on their first day of work with our Group, and we organise functions for employees from time to time to reinforce their knowledge on safety issues through games.

We also adopt appropriate safety installations in our production equipment and carry out equipment maintenance and work environment safety checks on a regular basis to ensure their smooth and safe operation.

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Last but not least, we have in place a system of recording and handling accidents, by relevant production team and administrative personnel in accordance with relevant internal policies. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material accidents, claims for personal or property damages, and compensation paid to employees which would cause material adverse effect on our Group's financial condition and results of operations.

### ***Environmental Protection***

We have dedicated a team of personnel to handle our environmental compliance-related matters. We believe that our production processes do not generate hazards that have any significant adverse effect on the environment and our environmental protection measures are adequate to comply with all applicable current and national or local laws and regulations in the PRC, Vietnam and Cambodia. For instance, we have implemented stringent waste treatment procedures in our manufacturing facilities. Waste produced by us is treated in compliance with the environmental standards, laws and regulations applicable to our production bases in the PRC, Vietnam and Cambodia. For FY2015, FY2016 and FY2017, our cost of compliance with the relevant environmental protection laws and regulations were approximately US\$77,000, US\$82,000 and US\$59,000 respectively. We expect the ongoing costs of compliance with customer environmental guidelines and existing environmental laws and regulations will not have a material effect upon our business, financial condition or results of operations.

During the Track Record Period and as at the Latest Practicable Date, we had not been subject to any material fines or legal actions involving non-compliance with any relevant environmental regulations in the PRC, Vietnam and Cambodia; and there were no threatened or pending actions by any environmental regulatory authority known to the Directors to be against our Group which would have a material adverse effect on our operations, financial condition, operating results or reputation.

### **PROPERTIES**

We occupy certain properties in Cambodia, the PRC, Hong Kong, Macau, Taiwan and Vietnam. According to section 6(2) of the Companies Ordinance (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 and Rule 5.01A of the Listing Rules which require a valuation report with respect to all our interests in land or buildings, for the reason that, as at 31 December 2017, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

#### **Owned Properties**

As at the Latest Practicable Date, we had the right to use one parcel of land with gross land area of approximately 137,089 sq.m. for, among others, our Guangzhou Production Base and had owned properties in the PRC and Taiwan including premises for our manufacturing facilities at our Guangzhou Production Base and offices, staff dormitories and canteen and parking spaces to support our business operations, with the total GFA and breakdown by geographical location set out below:

<b>Geographic location</b>	<b>Approximate GFA (sq. m.)</b>
PRC	75,997
Taiwan	<u>127</u>
Total:	<u><u>76,124</u></u>

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As at the Latest Practicable Date, our Group had land use right in a parcel of land (“**Guangzhou Land**”) with site area of approximately 137,088.60 sq. m. in Guangzhou, the PRC, which comprises (i) our Guangzhou Production Base of approximately 115,541.60 sq. m., and (ii) the remaining part of the Guangzhou Land with gross floor area of approximately 21,547 sq. m. (“**Cooperation Land**”). Pursuant to a cooperation agreement dated 5 May 2010 (“**Land Cooperation Agreement**”) entered into between our Group and an Independent Third Party (“**Purchaser**”), we agreed to cooperate with the Purchaser to develop the Cooperation Land and construct a production plant (“**Third Party Production Plant**”) thereon as follows: (i) the construction works shall be fully funded by the Purchaser; (ii) our Group shall provide assistance to the Purchaser in obtaining the approvals and permits that are required for the construction works on the Cooperation Land and completing the relevant formalities; and (iii) upon completion of the construction of the Third Party Production Plant and fulfilment of certain other conditions under the Land Cooperation Agreement, the land use right in the Cooperation Land as well as the Third Party Production Plant shall be transferred from our Group to the Purchaser at a consideration of RMB21,331,200, which was determined after arm’s length negotiations.

Since the Cooperation Land formed part of our Guangzhou Land, the transfer of the Third Party Production Plant and the relevant land use right in the Cooperation Land constitutes a partial transfer of property and land use right in the PRC. As advised by our PRC Legal Advisers, such partial transfer of property and land use right was permissible under the then relevant PRC laws and regulations in effect as at the date of the Land Cooperation Agreement. However, in 2015, prior to the completion of the construction of the Third Party Production Plant and hence the completion of the cooperation under the Land Cooperation Agreement, the Guangzhou Government promulgated the Tentative Measures of Guangzhou City for the Improvement of Utilisation Efficiency of Land for Industrial Use\* (廣州市提高工業用地利用效率試行辦法)(“**PRC Laws Restricting Partial Transfers**”), which prohibited any partial transfer of property built on land for industrial use in Guangzhou, the PRC. Subsequently, in August 2017, the “Notice of the People’s Government of Guangdong Province on Issuing Several Policies and Measures of Guangdong Province for Reducing the Cost of Manufacturing Enterprises and Supporting the Development of the Real Economy”\* (《廣東省降低製造業企業成本支持實體經濟發展若干政策措施》)(“**Notice on Partial Transfer**”) was issued, which indicated that the partial transfer of property erected on land for industrial use has become legally permissible again.

Despite that we obtained the real estate ownership certificate for the Third Party Production Plant in November 2017 after completion of its construction, due to the lack of detailed implementation policies and procedures of the Notice on Partial Transfer, which are yet to be promulgated, our Group has not proceeded to (i) enter into a real estate transfer agreement with the Purchaser that is to be submitted to the relevant PRC governmental authority; and (ii) completion of the procedures for the registration of such transfer with competent governmental authority. In view of the above and the changes in the relevant PRC laws and regulations on the implementation of the partial transfer of property and land use right, we further entered into a supplemental agreement (“**Supplemental Agreement**”) with the Purchaser in January 2018 with respect to the transfer of the land use right in the Cooperation Land and the Third Party Production Plant and agreed to proceed to complete the transfer of the Third Party Production Plant and the land it occupies upon fulfilment of certain preconditions including, among others, (i) such transfer is permitted to proceed under the Notice on Partial Transfer and its detailed implementation policies and procedures to be issued, or other PRC laws and regulations, (ii) all legal procedures in relation to such transfer could be proceeded with the competent governmental authority without any impediment, and (iii) the Purchaser shall cooperate with our Group where necessary for the purpose of completing such transfer and to negotiate over the transfer of other parts of the Cooperation Land if it becomes feasible under the applicable PRC laws and regulations. Based on the aforesaid, our PRC Legal Advisers advised that it does not constitute a breach of the Land Cooperation Agreement and the Supplemental Agreement by our Group in the event that the transfer of the land use right in the Cooperation Land and the Third Party Production Plant could not proceed to completion due to restrictions under governmental policies and/or the Purchaser’s non-cooperation, and our Group shall not be held liable for any contractual damages suffered by the Purchaser in this respect. On this basis, we are not required to make any provision for damage claims by the Purchaser.

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As advised by our PRC Legal Advisers, the PRC taxes that are applicable to the proposed transfer of the Third Party Production Plant and the relevant land use right in the Cooperation Land principally include value-added tax\* (增值稅) (previously business tax\* (營業稅)), urban maintenance and construction tax\* (城市維護建設稅), education surcharge\* (教育費附加), land value-added tax \* (土地增值稅) and enterprise income tax\* (企業所得稅). In the event that we fail to pay the abovementioned relevant PRC taxes on a timely basis, the relevant PRC tax authority may order us to make payment for the overdue tax amount and impose a daily surcharge equivalent to 0.05% of the overdue tax payment from the date on which the payment has become overdue.

As the preconditions of the Supplemental Agreement had yet to be fulfilled, we had not proceeded to enter into a real estate transfer agreement with the Purchaser for the transfer of the Third Party Production Plant and the relevant land use right in the Cooperation Land, and had not proceeded to completion of the relevant procedures with the competent PRC authority for the registration of the transfer as at the Latest Practicable Date, and the consideration for such transfer shall be settled in full by the Purchaser upon completion of such procedures pursuant to the terms of the Supplemental Agreement. Thus, none of the circumstances that will render the applicable PRC taxes due for payment had occurred as at the Latest Practicable Date. Our Directors confirm that we will duly fulfil our tax obligations arising from the transfer of the Third Party Production Plant and the relevant land use right in the Cooperation Land upon completion of the transfer registration procedures or otherwise required by the relevant PRC laws and regulations. Accordingly, our PRC Legal Advisers are of the opinion that (i) the relevant tax payment in relation to the transfer of the Third Party Production Plant and the relevant land use right in the Cooperation Land (“**Transfer Tax Amount**”) had not become due as at the Latest Practicable Date, and (ii) the risk of us being penalised by the relevant PRC tax authority for our failure to make full payment of the Transfer Tax Amount is remote.

Nevertheless, as the Cooperation Land and the Third Party Production Plant have been solely used and occupied by the Purchaser since the signing of the Land Cooperation Agreement and the completion of the construction of the Third Party Production Plant respectively, and our Group was not expected to derive any further future economic benefit from such properties since the signing of the Land Cooperation Agreement, the Third Party Production Plant and the land it occupies were deemed to be transferred from our Group to the Purchaser on even date from an accounting perspective (“**Deemed Transfer**”). On that premise, our Directors had taken a conservative view and considered it prudent to assume that we had become liable to pay the relevant Transfer Tax Amount since the date of the Deemed Transfer, and provisions were accordingly made as at 31 December 2017 in the sum of (i) approximately RMB10.4 million (equivalent to approximately US\$1.6 million) for the relevant Transfer Tax Amount determined based on the consideration for the transfer, deducting relevant costs or items prescribed by the relevant PRC tax laws and regulations, and applying the applicable tax rates in accordance with the Law of the People’s Republic of China on Enterprise Income Tax\* (中華人民共和國企業所得稅法), Provisional Regulations of the People’s Republic of China on Land Value-added Taxes\* (中華人民共和國土地增值稅暫行條例), Provisional Regulations of the People’s Republic of China on Business Tax\* (中華人民共和國營業稅暫行條例), Interim Regulations of the People’s Republic of China on Urban Maintenance and Construction Tax\* (中華人民共和國城市維護建設稅暫行條例), Interim Provisions on the Collection of Education Surcharge\* (徵收教育費附加的暫行規定) and the Law of the People’s Republic of China on the Administration of Tax Collection (2015 Amendment)\* (中華人民共和國稅收徵收管理法 (2015 修正)); and (ii) RMB14.6 million (equivalent to approximately US\$2.3 million) for the relevant late payment surcharge of the Transfer Tax Amount determined based on the abovementioned tax exposure at 0.05% on a daily basis commencing on the date of the Deemed Transfer.



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### Leased Properties

As at the Latest Practicable Date, we had leased properties in Cambodia, the PRC, Hong Kong, Macau, Taiwan and Vietnam, including premises for our manufacturing facilities for our Dongguan Production Base, Jiangxi Production Base, Vietnam Production Base and Cambodia Production Base, retail stores for sales of our proprietary branded products in Taiwan, warehouses, offices and staff dormitories and canteen to support our business operations, with the total GFA and breakdown by geographical location set out below:

<b>Geographic location</b>	<b>Approximate GFA (sq. m.)</b>
Cambodia	28,873
PRC	105,005
Hong Kong	1,649
Macau	238
Taiwan	252
Vietnam	<u>80,466</u>
Total	<u><u>216,483</u></u>

Our leased properties in Vietnam are recorded as our finance lease and the relevant depreciation charges for FY2015, FY2016 and FY2017 were US\$0.2 million, US\$0.2 million and US\$0.3 million, respectively. The rental expenses in relation to the other leased properties were US\$3.0 million, US\$2.5 million and US\$2.3 million for FY2015, FY2016 and FY2017 respectively.

Please see “Continuing Connected Transactions” in this prospectus for further details of any transactions related to the above properties that are continuing connected transactions and if any, waiver for these transactions.

Despite our effort in seeking to obtain proof from the lessors of our leased properties in the PRC, we have not been provided with title documents evidencing that the lessors of certain properties leased to us in the PRC have title and ownership in those properties. These properties are used as part of our staff accommodation and canteen. If any of these lessors do not have the right to let, we are advised by our PRC Legal Advisers that we as tenant may be required to move out from the relevant property. In respect of part of one property leased by us, which are used by us as ancillary facilities to our production base, the lessor built those facilities without undergoing necessary governmental formalities. We are advised by our PRC Legal Advisors that the relevant part of the lease agreement may be deemed invalid and we therefore may have to move out from such facilities. In addition, the actual use of certain properties by our Group, including offices, warehouses, and a canteen, is inconsistent with their designated use as set out in their real estate ownership certificates. As advised by our PRC Legal Advisors, we may not be able to continue to use those properties for their current usage in the event that the lessors or we are required by the competent governmental authorities to make the use in accordance with their designated use. Our Directors are of the view that none of these affected leased properties is material to our operations in the PRC since those leased properties only involved ancillary facilities to our production bases and we do not have any difficulty in relocating to alternative premises if needed.



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As at the Latest Practicable Date, we had secured registration of the leases in respect of some of our leased properties in the PRC as required by the relevant PRC laws and regulations. Despite our effort in procuring registration of the leases of our remaining leased properties in the PRC by the lessors or requesting the lessors to assist us in getting the leases registered, we are unable to secure registration of such leases, either by reason of (i) the relevant lessors refusing to deal with our request or cannot be reached, or (ii) we were given to understand that the relevant authorities would no longer process such lease registration. As advised by our PRC Legal Advisers, non-registration of such leases in respect of these properties will not affect their legality and validity but the lessors and we as lessee could be liable to a fine ranging from RMB1,000 to RMB10,000 in respect of each leased property that is not registered in case we should fail to effect registration of the lease upon request by the relevant construction or land and real estate administration bureau. As at the Latest Practicable Date, we had not received any such request by the relevant construction or land and real estate administration bureau. Our Directors are of the view that none of these leased properties the leases of which have not yet been registered are material to our operations in the PRC as they are only used as part of our staff accommodation and certain ancillary facilities to our production bases, and we do not have any difficulty in relocating to alternative premises if needed.

Prosperous BVI has provided us with an indemnity for all loss, cost, expenses, damages or other liabilities as may be incurred by us arising from or in connection with the lack of title or authority of the lessors to lease us the leased properties in the PRC or non-registration of the leases of the leased properties in the PRC. Please refer to “Statutory and General Information – Other Indemnities – 1. Deed of Indemnity” in Appendix IV to this prospectus for further details of the indemnity.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we were the registered owner of more than 200 trademarks in over 20 jurisdictions, seven bags and packs design patents in the PRC and 16 domain names that are relevant to the ordinary course of our business operations.

For details of our intellectual property rights that are material to our business and operations, see “Statutory and General Information – C. Further Information about Our Business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As of the Latest Practicable Date, we were not aware of any material violation or infringement of our intellectual property rights by third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. We believe we have taken reasonable measures to prevent infringement of the intellectual property rights of our customers. With an aim to protect the intellectual property rights of our customers, we have adopted a policy to protect confidential information arising out of our business operations. We require our staff to keep all classified information confidential. Copying of information of our Group, our staff and/or our customers by our staff without cause are strictly forbidden.

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### LICENCES, PERMITS AND APPROVALS

The material licences, permits and approvals specific to our business operations are set out below:

No.	Licence/Permit	Licence/Permit Holder	Issuing/registration authority	Date of issue/ approval	Expiry date
<i>In the PRC</i>					
1.	Certificate of the Customs of the People's Republic of China on the Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記證書)	1. Guangzhou Glorieux 2. Dongguan Zerong 3. Xinfeng 4. Dongguan Excellence 5. Guangzhou Kengtou 6. Guangzhou Zerbao	1. Panyu Customs House of the PRC 2. Huangpu Customs House of the PRC 3. Nanchang Customs District of the PRC (Longnan office) 4. Huangpu Customs House of the PRC 5. Panyu Customs House of the PRC 6. Panyu Customs House of the PRC	1. 26 August 2014 2. 14 October 2014 3. 07 June 2010 4. 31 October 2014 5. 30 March 2015 6. 12 May 2016	N/A
2.	Registration as Foreign Trade Operators (對外貿易經營者備案登記)	Xinfeng	Ganzhou Department of Commerce	12 July 2017	N/A
<i>In Vietnam</i>					
3.	Environment Protection Commitment Registration Certification No.45/BCK-UBND, for certifying the Environment Protection Commitment dated October 2008 of Starite Vietnam	Starite Vietnam	Trang Bom District People's Committee	23 October 2008	N/A
4.	Registration book of owner of hazardous wastes resource	Starite Vietnam	Department of Natural Resources and Environment of Dong Nai Province	23 March 2015	Valid until the date of re-issuance of the registration book of owner of hazardous wastes resource by the relevant authority to replace the existing registration book or upon termination of the operation of Starite Vietnam, whichever is earlier. As at the Latest Practicable Date, there has not been any re-issuance of the registration book to replace the existing one.

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No.	Licence/Permit	Licence/Permit Holder	Issuing/registration authority	Date of issue/ approval	Expiry date
5.	Decision No.108/QD-KCNDN for approving the Environment Impact Assessment Report dated 2018 of Starite Vietnam in respect of increase in production capacity of our Vietnam Production Base in 2017	Starite Vietnam	Dong Nai Industrial Zone Authority	23 May 2018	N/A
<i>In Cambodia</i>					
6.	Final Registration Certificate	Starite Cambodia	Council for the Development of Cambodia	23 November 2017	N/A
7.	Certificate of Incorporation	Starite Cambodia	Ministry of Commerce of Cambodia	7 November 2017	N/A
8.	Factory Licence	Starite Cambodia	Ministry of Industry and Handicraft of Cambodia	28 November 2017	N/A
9.	Customs Registration	Starite Cambodia	General Department of Customs and Exercise of Cambodia	N/A	N/A
10.	Environmental Protection Contract	Starite Cambodia	Ministry of Environment of Cambodia	4 December 2017	N/A
11.	Confirmation of Fire Prevention System and Confirmation of Fire Protection and Firefighting Technique	Starite Cambodia	Kandal Province Police Fire Brigade of Cambodia	18 December 2017	N/A

Save as disclosed herein above, our Group has obtained all necessary approvals, permits and licences that are material to our business operations from the relevant government authorities. Please see “Regulatory Overview” for further details on laws, rules and regulations relevant to our Group’s business operations.

### TRANSFER PRICING ARRANGEMENT

#### Transfer Pricing Arrangements

During the Track Record Period, we operated our Group’s businesses principally through different operating subsidiaries of our Group in Hong Kong, the PRC, Taiwan, Vietnam and Macau. Dongguan Excellence and Dongguan Zerong (Dongguan Production Base), Guangzhou Kengtou (Guangzhou Production Base), Xinfeng (Jiangxi Production Base) and Starite Vietnam (Vietnam Production Base) were responsible for manufacturing of our products. Prosperous HK, Starite HK and RGL International were responsible for our sales to a number of our major customers outside Hong Kong. Glorieux HK was responsible for our sales to Hong Kong and overseas customers. Prosperous TW was responsible for central sourcing of certain raw materials in Taiwan for the Group.

We have adopted transfer pricing arrangement among our group companies to regulate intra-group transactions and have taken various measures to ensure our compliance with relevant transfer pricing laws and regulations in jurisdictions where we operate, including (i) monitoring of implementation of internal control policy on tax-related matters; (ii) identification of updates on transfer pricing laws and regulations and assessment of related risks on our Group; (iii) regular review on transfer pricing policy and exposure; and (iv) designation of our chief executive officer, Mr. Edmond Yeung, to regularly monitor the pricing policy of our intra-group transactions to ensure such transactions satisfy the arm’s length principle.

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We adopted arm's length standard to determine the transfer pricing of the intra-group transactions between operating subsidiaries of our Group having taken into account their respective functions performed (such as manufacturing, sourcing, sales and distribution, etc.), risks assumed and assets employed to apportion reasonable profits among these entities.

We have engaged an independent tax consultant, which is an international professional accounting firm in Hong Kong, to conduct transfer pricing studies on the abovementioned intra-group transactions to evaluate specifically our compliance with the relevant transfer pricing regulations. Based on the OECD transfer pricing guidelines, the transactional net margin method was used as the transfer pricing methodology, with mark-up on total costs ("MTC") and operating margin ("OM") as the profit level indicators, in the transfer pricing studies.

By employing the prescribed third party databases, comparable searches were performed where different quantitative and qualitative screening were used to come up with a set of comparable independent companies for each relevant transaction and construct an arm's length profit range based on the latest financials of the comparable companies accordingly. The key qualitative and quantitative screening criteria applied in the comparable searches include geography, standard industry classification codes, independence indicator, financial availability, active/inactive status, functional comparability and product/service comparability.

Based on the studies, the MTC and OM recorded by the tested parties of the relevant intra-group transactions were within the arm's length benchmark results established by the relevant comparable searches. Specifically:

- Starite Vietnam recorded a MTC of 4.12%, 3.37% and 6.67% in 2015, 2016 and 2017 respectively for its intra-group manufacturing transaction, which are within/above the corresponding arm's length MTC range of 1.51%-5.41%, 2.42%-5.64% and 4.73%-5.79% established by the benchmarking analysis performed in accordance with the Vietnam transfer pricing regulations which requires comparison of single-year results between tested party and comparable companies.
- Dongguan Excellence, Dongguan Zerong, Guangzhou Kengtou and Xinfeng recorded a weighted average MTC of 1.91%, 2.20%, 4.63% and 1.31% respectively for their intra-group manufacturing transactions during the Track Record Period, which are within the arm's length MTC range of 0.87%-5.31% established by the benchmarking analysis performed in accordance with the China transfer pricing regulations.
- Prosperous TW recorded a weighted average MTC of 6.12% and OM of 1.97% for its intra-group service and buy-sell transactions during the Track Record Period, which is within the corresponding arm's length MTC range of 4.22%-19.67% and OM range of 1.13%-3.56% established by the benchmarking analyses performed in accordance with the Taiwan transfer pricing regulations.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have observed the transfer pricing laws and regulations of the relevant jurisdictions where our Group operated and we were not aware of any open enquiries, audit or investigation by any tax authority with respect to any of our intra-group transactions.

Based on the study conducted by the independent tax advisor, and having taken into consideration of the relevant law and regulations relating to transfer pricing, our Directors are of the view that our Group had satisfied the arm's length principle and had complied in all material aspect with the relevant transfer pricing requirements in the relevant jurisdictions during the Track Record Period.

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We have been and will continue to closely monitor our Group's transfer pricing arrangement including reviewing the reasonableness of the pricing policy of our intra-group transactions. We however cannot assure that our transfer pricing arrangement will not be subject to review by any relevant tax authorities in future, despite our Director believe that our Group has reasonable ground to defend against such challenges if they arise.

### **INTERNATIONAL SANCTIONS ON SHIPMENTS TO SANCTIONED JURISDICTIONS**

Our customers are mainly well-known multinational sports and lifestyle brand owners headquartered in U.S., Germany and Italy, and their agents, licensees and distributors. These customers purchase our products from us directly and our products are then shipped to over 85 countries during the Track Record Period, primarily to North America, Asia and Europe.

The U.S. and certain other jurisdictions, including Australia, the E.U. and the U.N., have imposed broad economic sanctions against certain countries, individuals and legal entities. These jurisdictions have sanctions against certain persons in, or prohibit the export of certain items to, Egypt, Lebanon, Tunisia, Russia, Ukraine and Venezuela and the total revenue generated from our shipments to these countries for FY2015, FY2016 and FY2017 represent 0.8%, 1.2% and 0.5% of our total revenue respectively.

During the Track Record Period, other than the shipments to the Sanctioned Jurisdictions, all other shipments were made to countries outside the Sanctioned Jurisdictions.

Our Sanctions Law Legal Advisers have conducted review of our transactions involving Sanctioned Jurisdictions and are of the view that such transactions during the Track Record Period do not present any material sanctions risks to our Company, our Shareholders, its potential investors, the Listing Committee or the Stock Exchange, its affiliates, including the Hong Kong Securities Clearing Company Limited and HKSCC Nominees Limited.

For the details of potential risks, please see "Risk Factors – Our business, financial condition and results of operations could become materially and adversely affected by sanctions on the Sanctioned Jurisdictions by Australia, the EU, the U.N. or the U.S." in this prospectus.

### **Internal Control Measures**

Please see "Internal Control and Risk Management – Internal Control Procedures in relation to sales to Sanctioned Jurisdictions" in this section below for more details on our internal control measures to identify and monitor our exposure to risks associated with our potential sales to Sanctioned Jurisdictions.

### **Undertaking to the Stock Exchange**

Our Directors confirm that (i) we have not been notified of that any International Sanctions will be imposed on us for our shipments to the Sanction Jurisdictions during the Track Record Period; (ii) none of our customers are specifically identified on the Specially Designated Nationals and Blocked Persons List by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets; and (iii) such transactions do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

We undertake to the Stock Exchange that (i) we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, relating to or with any Sanctioned Person or any other person or entity that is a target of any

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International Sanctions, or in any Sanctioned Country which is prohibited or otherwise restricted pursuant to International Sanctions; and (ii) we will not undertake any transactions that would result in our Group, or any person or entity, including our Shareholders, the Stock Exchange, the HKSCC and the HKSCC Nominees acting in breach of International Sanctions.

### LEGAL PROCEEDINGS AND COMPLIANCE

Set forth below is a summary of our systemic non-compliance matters 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	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance	Potential Impact on Our Operations and Financial Condition
<p>We had not made full contributions to or failed to make contribution to the social insurance plans as required under the relevant regulations in the PRC for some of our employees before February 2018.</p>	<p>The non-compliance was mainly due to high turnover of staff and employees' preference of lower contribution.</p>	<p>Our PRC Legal Advisors have advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent PRC government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance.</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments.</p> <p>Accordingly, provision for our under-contributions to the social insurance plans which was payable as at 31 December 2015, 2016 and 2017 in the amount of approximately RMB33.9 million (equivalent to approximately US\$5.2 million), RMB27.7 million (equivalent to approximately US\$4.3 million) and RMB22.7 million (equivalent to approximately US\$3.5 million) have been made. To strengthen our internal control, we have provided training to our responsible staff to ensure they prepare review, report and declare the social insurance for our employees in accordance with the applicable laws and regulations.</p> <p>We have made full contribution to the social insurance plans for our employees in the PRC since February 2018.</p>	<p>Our PRC Legal Advisors have advised that based on the following reasons, among others, imposition of penalty is unlikely:</p> <ol style="list-style-type: none"> <li>(1) competent authorities have confirmed that we have not been penalized for social insurance contribution since the incorporation of our relevant subsidiaries or during the Track Record Period;</li> <li>(2) competent authorities have confirmed that there is no penalty or order in such connection and/or there has been no relevant complaints from our employees;</li> <li>(3) there have been no disputes between our PRC subsidiaries and our employees regarding social insurance matters and our PRC subsidiaries will endeavor to have amiable negotiations with our employees and settle the disputes appropriately in the event of occurrence of such disputes in the future.</li> </ol> <p>Based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group to operate in a compliant manner.</p>

Non-compliance Incident	Reasons for the Non-compliance	Legal Consequences and Potential Maximum Penalties	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance	Potential Impact on Our Operations and Financial Condition
<p>We had not made contribution to the housing provident fund as required under the relevant regulations in the PRC for some of our employees before February 2018.</p>	<p>The non-compliance was mainly due to high turnover of staff and employees' unwillingness to bear the personal part of the contribution.</p>	<p>Our PRC Legal Advisors have advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period.</p>	<p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of housing provident fund contributions.</p> <p>Accordingly, provision for our under-contributions to the housing provident fund which was payable as at 31 December 2015, 2016 and 2017 in the amount of approximately RMB15.8 million (equivalent to approximately US\$2.4 million), RMB15.1 million (equivalent to approximately US\$2.3 million) and RMB13.2 million (equivalent to approximately US\$2.0 million) have been made. To strengthen our internal control, we have provided training to our responsible staff to ensure they prepare, review, report and declare the housing provident fund for our employees in accordance with the applicable laws and regulations.</p> <p>We have made full contribution to the housing provident fund for our employees in the PRC since February 2018.</p>	<p>Our PRC Legal Advisors have advised that based on the following reasons, among others, imposition of penalty is unlikely:</p> <ol style="list-style-type: none"> <li>(1) competent authorities have confirmed or the National Display System of Credit Information for Enterprises (國家企業信用信息公示系統) has shown that our subsisting PRC subsidiaries have not been penalised for housing provident fund contribution since the incorporation of our relevant subsidiaries or during the Track Record Period;</li> <li>(2) competent authorities have confirmed or the National Display System of Credit Information for Enterprises (國家企業信用信息公示系統) has shown that there is no penalty or order in such connection for our subsisting PRC subsidiaries and/or there has been no relevant complaints from our employees;</li> <li>(3) the competent authority has confirmed that our deregistered PRC subsidiary, namely Guangzhou Hongqitai, is not obliged to make contribution to the past outstanding housing provident fund;</li> <li>(4) there have been no disputes between our subsidiaries and our employees regarding housing provident fund matters and our subsidiaries will endeavor to have amiable negotiations with our employees and settle the disputes appropriately in the event of occurrence of such disputes in the future.</li> </ol> <p>Based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group to operate in a compliant manner.</p>



### INTERNAL CONTROL AND RISK MANAGEMENT

#### Other Internal Control Measures to Improve Our Overall Corporate Governance

In order to continuously enhance our corporate governance and to prevent recurrence of the non-compliance incidents, we have adopted, or will adopt before the Listing, the following measures:

- our Directors and senior management have attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers. We will continue to arrange various trainings to be provided by the legal adviser to be engaged by us from time to time and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;
- we will provide our senior management and employees with policies, training and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time, in particular, the calculation of the social insurance and housing provident funds under the applicable PRC laws and regulations;
- we have appointed WAG Worldsec Corporate Finance Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules issues and other applicable securities laws and regulations in Hong Kong; and
- we have also established an audit committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the audit committees are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

Having considered the above and in light of the following:

- (i) with the occurrence of the non-compliance incidents set out in “Legal Proceedings and Compliance” in this section above, our Directors are minded and alert to any issues that might result in any non-compliance;
- (ii) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above;
- (iii) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations; and
- (iv) in preparation of the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system for various operation and management functions of our Group, including but not limited to our financial reporting and accounting, cash and treasury management, manufacturing and product safety quality control, and inventory management systems, and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system. The internal control consultant also performed a follow-up review on the status of our actions to address the findings in the evaluation and did not identify any material weakness or raise any further recommendation in the review.

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## BUSINESS

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Having considered the facts and circumstances leading to the non-compliance incidents in relation to the employee social insurance and housing provident fund and the relevant rectification and on-going compliance measures mentioned above, our Directors are of the view that our Group has adequate and effective internal control procedures in place to prevent the recurrence of the non-compliance incidents and that these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurs with such view of our Directors on the same basis as described above.

### **Internal Control Procedures in relation to sales to Sanctioned Jurisdictions**

As our customers may continue to request us to deliver our products to the Sanctioned Jurisdictions, in order to identify and monitor our exposure to risks associated with sanctions laws relating to such transactions, we will adopt, before the Listing, enhanced internal control measures including, among others:

- (a) we have established a sanctions risk management committee to further enhance our existing internal risk management function, which comprises four members. Mr. Herman Yeung, our executive Director and chairman of our Board, as chairman of this committee. The remaining three members are Mr. Edmond Yeung, our chief executive officer, Mr. Theodore Yeung, our chief operating officer, and Mr. Tang Wing Yui, our financial controller. Our sanctions risk management committee is principally responsible for monitoring our exposure to sanctions law risks and overseeing our implementation of the related internal control policies;
- (b) we will maintain a control list of Sanctioned Jurisdictions and persons to check against our sales and procurement, and delivery of goods to monitor our transactions;
- (c) our accounting department will assist our sanctions risk management committee in the day-to-day monitoring of our sanctions risks, including review the existing and potential customers' information against our control list of Sanctioned Jurisdictions and persons, and if needed, report to the sanctions risk management committee;
- (d) our sanctions risk management committee may also engage external legal counsel with necessary expertise and experience in sanctions matter to evaluate sanctions-related risks as and when necessary, and will follow the advice provided by such external legal counsel;
- (e) our sanctions risk management committee will convene meetings from time to time with our accounting department, and to the extent necessary, our sales, procurement and/or internal audit departments, to assess the latest sanctions-related risks our operations may be exposed to;
- (f) trainings relating to sanctions law will be provided to our Directors, senior management members and other relevant personnel; and
- (g) our sanctions risk management committee will monitor our use of the proceeds from the Global Offering, as well as our performance of our undertaking to the Stock Exchange relating to sanctions matters.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, our Company has been owned as to 70% by Prosperous BVI, which in turn has been owned as to 23%, 23%, 12%, 12%, 12%, 6%, 6% and 6% by Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Tony Yeung, Mr. Theodore Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung, respectively.

In view of the relationships between the members of the Yeung Family as set out in the Prospectus and the information as set out above, our Company considers it appropriate that Prosperous BVI together with Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Tony Yeung, Mr. Theodore Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung are considered as a group of controlling shareholders of our Company within the meaning of the Listing Rules upon Listing.

Immediately after completion of Capitalisation Issue and the Global Offering, our Controlling Shareholders will together control the exercise of voting rights of approximately 52.5% of our Shares eligible to vote in general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Our Controlling Shareholders confirm that they as well as their respective close associates (other than members of our Group) do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

#### Management Independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board has eight Directors comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Saved as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

#### Operational Independence

With exception to the continuing connected transactions entered into with China Pacific, particulars of which are set out in “Continuing Connected Transactions”, having considered that (i) our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business; (ii) our organisational structure is made up of a number of operational teams and

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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functional departments, each with specific areas of duties and responsibilities under the leadership of the management team of our Group; and (iii) our major customers and suppliers are all independent from our Controlling Shareholders, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates upon Listing.

### Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

### COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our controlling shareholders has confirmed that they and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

Further, each of our Directors has confirmed that he is not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

### NON-COMPETITION UNDERTAKING

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has undertaken to our Company that they shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the restricted period, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which is the same or similar to that carried on by the Group from time to time from time to time (the "**Restricted Business**").

Such non-competition undertaking does not apply where:

- (a) any of the Controlling Shareholders is offered or becomes aware of any project or any new business opportunity relating to the Restricted Business ("New Business Opportunity") with a third party and promptly notified the Company in writing of such New Business Opportunity, including: (i) terms of offer between the relevant Controlling Shareholder(s) and such third party, or (ii) terms for our Company to engage in the Restricted Business with the relevant Controlling Shareholder(s) and/or his/her/its close associates, and our Company, after review of the information of the New Business Opportunity provided by such Controlling Shareholder(s) by our independent non-executive Directors, has not given written notice of our desire to invest in such New Business Opportunity within 30 business days from the receipt of notice from such Controlling Shareholder(s), or has declined such opportunity to invest in the New Business Opportunity, provided that the terms by which the relevant Controlling Shareholder(s) and/or his/her/its close associate(s) subsequently invests or participates in the New Business Opportunity are not more favourable than the terms on which such New Business Opportunity is offered to our Company; or

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (b) our Controlling Shareholders have interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by him/her/it and/or his/her/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and he/she/it and/or his/her/its close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by him/her/it and his/her/its associates in aggregate.

The “restricted period” refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) our Controlling Shareholders or their respective close associates continue to hold equity interest in our Company; and (iii) our Controlling Shareholders, together with the interests of their respective close associates, continue to hold 30% or more of our Shares in issue.

### CORPORATE GOVERNANCE

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) in the event that there is a material potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum except permitted under the Articles and/or the Listing Rules;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;
- (c) each of our Controlling Shareholders has undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company;
- (e) each of our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;
- (f) we have appointed WAG Worldsec Corporate Finance 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; and
- (g) pursuant to the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules, our Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group, and to protect the interests of our Shareholders.

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## CONTINUING CONNECTED TRANSACTIONS

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### INTRODUCTION

We have entered into certain transactions with our connected persons during the Track Record Period which will continue after Listing and constitute continuing connected transactions (as defined under the Listing Rules) of our Group.

### CONNECTED PERSONS

China Pacific is a limited liability company incorporated in Hong Kong and owned as to 25%, 25%, 20%, 10%, 10% and 10% by Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung, respectively. Mr. Yeung, Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung are siblings and Mr. Yeung is the husband of Mrs. Yeung. Each of Mr. Yeung, Mrs. Yeung, Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung is our Controlling Shareholder, and Mr. Herman Yeung and Mr. Philip Yeung are our Directors. As such, we consider appropriate to treat China Pacific as a connected person of our Company.

Pou Sung Vietnam is a limited liability company incorporated in Vietnam and is a wholly-owned subsidiary of Yue Yuen, one of our Substantial Shareholders. Pou Sung Vietnam is therefore an associate of Yue Yuen and accordingly, a connected person of our Company.

### CONNECTED TRANSACTIONS

The following table is a summary of our continuing connected transactions:

Agreement	Nature of transaction	Parties	Proposed annual cap for the year ending 31 December		
			2018 US\$'000	2019 US\$'000	2020 US\$'000
<b><i>Fully-exempted continuing connected transactions</i></b>					
Office Tenancy Agreement	Lease of office premise from China Pacific	Glorieux HK and China Pacific	230	248	248
Bus Service Agreement	Shuttle bus services for factory workers by Pou Sung Vietnam	Starite Vietnam and Pou Sung Vietnam	380	380	380
<b><i>Non-exempted continuing connected transactions</i></b>					
Vietnam Lease Agreements and Property Management Agreement (as aggregated)	Lease of factory premises from Pou Sung Vietnam, maintenance, property management and utilities and other charges related to the lease of the premises	Starite Vietnam and Pou Sung Vietnam	817	845	914

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## CONTINUING CONNECTED TRANSACTIONS

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### FULLY-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### Lease of Office Premise from China Pacific

During the Track Record Period, Glorieux HK rented its office premise from China Pacific. On 1 April 2018, Glorieux HK as the tenant and China Pacific as the landlord entered into a tenancy agreement (the “**Office Tenancy Agreement**”), pursuant to which China Pacific agreed to lease and Glorieux HK agreed to take the office premise situated at Units 1, 2 and 4, 1st Floor, Join-In Hang Sing Centre, 71-75 Container Port Road, Kwai Chung, New Territories, Hong Kong and car parking space nos. 29, 36A, 39A and 39B on 1st Floor of Join-In Hang Sing Centre for a period of three years commencing from 1 April 2018 and expiring on 31 March 2021 (both days inclusive), at a monthly rental of HK\$160,000 (equivalent to approximately US\$21,000) payable monthly. The Office Tenancy Agreement can be terminated during the term by either party serving three months’ prior written notice to the other party. The Office Tenancy Agreement can be renewed by Glorieux HK by giving one month prior notice to China Pacific before the expiry of the term. The rental under the Office Tenancy Agreement was arrived at after arm’s length negotiation with reference to the prevailing market rate.

For the three years ended 31 December 2017, the total annual rentals under the Office Tenancy Agreement were HK\$1,356,000 (equivalent to approximately US\$175,000), HK\$1,356,000 (equivalent to approximately US\$175,000) and HK\$1,356,000 (equivalent to approximately US\$175,000), respectively.

The estimated annual caps for rental payable by Glorieux HK under the Office Tenancy Agreement for the years ending 31 December 2018, 2019 and 2020 are HK\$1,779,000 (equivalent to approximately US\$230,000), HK\$1,920,000 (equivalent to approximately US\$248,000) and HK\$1,920,000 (equivalent to approximately US\$248,000), respectively. Our Directors confirmed that the annual caps for the transactions contemplated under the Office Tenancy Agreement are determined by reference to (i) the terms and conditions of the Office Tenancy Agreement; and (ii) the historical annual rental value.

LCH (Asia-Pacific) Surveyors Limited, our independent property valuer, has confirmed that the rental under the Office Tenancy Agreement is fair and reasonable, and the other commercial terms under the Office Tenancy Agreement are normal, fair and reasonable.

#### Shuttle Bus Services by Pou Sung Vietnam

During the Track Record Period, Pou Sung Vietnam provided shuttle bus services to Starite Vietnam for its workers at the Vietnam Production Base. On 25 June 2018, Starite Vietnam as customer and Pou Sung Vietnam as service provider entered into a bus service agreement (the “**Bus Service Agreement**”), pursuant to which Pou Sung Vietnam agreed to share the cost of shuttle bus services with Starite Vietnam for a term commencing from 25 June 2018 and ending on 31 December 2020. The Bus Service Agreement can be terminated during the term by either party serving one month’s prior written notice to the other party. By mutual consent, the parties can renew the Bus Service Agreement. The shuttle bus service fees payable by our Group to Pou Sung Vietnam were determined with reference to the number of workers at our Vietnam Production Base relative to the total number of workers at the Bau Xeo Industrial Zone and the cost of Pou Sung Vietnam in engaging such shuttle bus service.

For the years ended 31 December 2015, 2016 and 2017, the total annual shuttle bus service fees were VND5,893.7 million (equivalent to approximately US\$269,000), VND6,014.3 million (equivalent to approximately US\$269,000) and VND7,871.6 million (equivalent to approximately US\$346,000), respectively.



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## CONTINUING CONNECTED TRANSACTIONS

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The estimated annual caps for bus service fee payable by Starite Vietnam under the Bus Service Agreement for each of the three years ending 31 December 2018, 2019 and 2020 is VND8,630.2 million (equivalent to approximately US\$380,000 per year). Our Directors confirmed that the annual caps for the transactions contemplated under the Bus Services Agreement are determined with reference to (i) the terms and conditions of the Bus Service Agreement; (ii) the historical bus service fees paid by us to Pou Sung Vietnam; and (iii) the estimated number of factory workers at the Vietnam Production Base for the years ending 31 December 2018, 2019 and 2020.

### Listing Rules implications

As all of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) for the annual caps in respect of transactions contemplated under each of the Office Tenancy Agreement and Bus Service Agreement are, on an annual basis, expected to be less than 5% and the maximum annual transaction amount is less than HK\$3,000,000, the transactions contemplated under each of the Office Tenancy Agreement and the Bus Service Agreement constitute *de minimis* continuing connected transactions, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### Lease of Factory Premises from Pou Sung Vietnam

During the Track Record Period, Starite Vietnam leased certain buildings for use in its operation from Pou Sung Vietnam, which are primarily used as our factories, office premises and warehouse for our Vietnam Production Base. Such leases shall continue upon Listing and set out below are the details regarding the five lease agreements (the “**Vietnam Lease Agreements**”) entered into between Starite Vietnam as tenant and Pou Sung Vietnam as landlord for the Vietnam Leased Premises:

Date	Duration of the lease	Description of the property leased (the “Vietnam Leased Premises”)	Amounts payable
1 May 2011 (as amended by the supplemental agreement dated 15 January 2018)	From 1 May 2011 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 35,852 square metres	(i) <b>Rental:</b> Total rent of VND66,759,151,620 (equivalent to US\$3,188,040) for the duration of the lease paid in two tranches before 30 June 2012, which has been fully paid.  (ii) <b>Maintenance:</b> maintenance fees for public facilities of up to VND93,690,000 (equivalent to US\$3,747.60) per month  (iii) <b>Utilities and other charges:</b> Utilities and other ancillary charges will be charged based on actual consumption

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## CONTINUING CONNECTED TRANSACTIONS

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Date	Duration of the lease	Description of the property leased (the “Vietnam Leased Premises”)	Amounts payable
1 October 2012 (as amended by the supplemental agreement dated 15 January 2018)	From 1 October 2012 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 10,628 square metres	<ul style="list-style-type: none"> <li>(i) <b>Rental:</b> Total rent of VDN33,057,193,200 (equivalent to US\$1,581,720) for the duration of the lease paid in two tranches before 31 December 2012, which has been fully paid.</li> <li>(ii) <b>Maintenance:</b> maintenance fees for public facilities of up to VND72,000,000 (equivalent to US\$2,880) per month.</li> <li>(iii) <b>Utilities and other charges:</b> Utilities and other ancillary charges will be charged based on actual consumption</li> </ul>
1 May 2014 (as amended by the supplemental agreement dated 15 January 2018)	From 1 May 2014 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 21,170 square metres	<ul style="list-style-type: none"> <li>(i) <b>Rental:</b> Total rent of VDN55,648,380,094 (equivalent to US\$2,637,639) for the duration of the lease which has been fully paid as of the date of the agreement.</li> <li>(ii) <b>Maintenance:</b> maintenance fees for public facilities of up to VND112,950,000 (equivalent to US\$4,518) per month.</li> <li>(iii) <b>Utilities and other charges:</b> Utilities and other ancillary charges will be charged based on actual consumption</li> </ul>
1 July 2015 (as amended by the supplemental agreement dated 15 January 2018)	From 1 July 2015 to 11 January 2055	Factory in Section E of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 3,600 square metres	<ul style="list-style-type: none"> <li>(i) <b>Rental:</b> Total rent of VDN6,727,698,864 (equivalent to US\$319,150.95) for the duration of the lease which has been fully paid as of the date of the agreement.</li> <li>(ii) <b>Maintenance:</b> maintenance fees for public facilities of up to VND30,000,000 (equivalent to US\$1,200) per month.</li> <li>(iii) <b>Utilities and other charges:</b> Utilities and other ancillary charges will be charged based on actual consumption</li> </ul>
1 July 2016	From 1 July 2016 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 9,216 square metres	<ul style="list-style-type: none"> <li>(i) <b>Rental:</b> Total rent of VDN82,702,821,817 (equivalent to US\$3,723,132.39) for the duration of the lease which has been fully paid as of the date of the agreement.</li> <li>(ii) <b>Maintenance:</b> maintenance fees for public facilities of US\$768 per month.</li> <li>(iii) <b>Utilities and other charges:</b> Utilities and other ancillary charges will be charged based on actual consumption</li> </ul>

Each of the Vietnam Lease Agreements has a term commencing from the date of signing to 11 January 2055 with rental to be paid at the beginning of the respective agreement for the entire term. The rental payable under each of the Vietnam Lease Agreements was decided by reference to the market rate at the prevailing time. Starite Vietnam may terminate the Vietnam Lease Agreements by providing Pou Sung Vietnam nine months’ prior written notice. However, Pou Sung Vietnam will not return any lease payment to Starite Vietnam if Starite Vietnam will terminate any of the Vietnam Lease Agreements before the end of the term but Starite Vietnam will not be liable to pay any of the maintenance, and utilities and other charges.

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## CONTINUING CONNECTED TRANSACTIONS

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Furthermore, since the execution of the Vietnam Lease Agreements, in order to provide property management services to us, Pou Sung Vietnam has charged Starite Vietnam property management fees which depends on the amount of services provided to us based on our number of workers to the total number of workers in Bau Xeo Industrial Zone. On 25 June 2018, Starite Vietnam and Pou Sung Vietnam entered into a master property management agreement for a term commencing from 25 June 2018 to 31 December 2020 (the “**Property Management Agreement**”), pursuant to which, Pou Sung Vietnam as the service provider will provide property management services to Starite Vietnam as the customer for the Vietnam Leased Properties at a fixed rate per worker at the Vietnam Leased Premises per month.

### ***Historical Transaction Amounts and Annual Caps***

We have aggregated all of the rentals, maintenance expense and utilities and other charges under the Vietnam Leased Agreements and the property management fees under the Property Management Agreement for the Vietnam Leased Properties in calculating the proposed annual caps as such charges are all related to the premises in Bau Xeo Industrial Zone that we have leased from Pou Sung Vietnam. The following table sets out the historical transaction amounts and the proposed annual caps for the transactions contemplated under the Vietnam Lease Agreements and the Property Management Agreement.

<b>Nature of transactions</b>	<b>Historical amounts for the year ended 31 December</b>			<b>Proposed annual cap for the year ending 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b><i>Vietnam Lease Agreements</i></b>						
Rental	–	–	–	–	–	–
Maintenance	141	152	157	160	160	160
Utilities and other charges	408	401	458	504	517	569
<b><i>Property Management Agreement</i></b>						
Property management fees	116	124	139	153	168	185
	665	677	754	817	845	914

### ***Pricing Policy***

The respective rentals paid under each of the Vietnam Tenancy Agreements were determined after arm’s length negotiation between Starite Vietnam and Pou Sung Vietnam with reference to the then prevailing market rate of rent of local properties of similar size in proximity to the Vietnam Leased Premises at the time of entering into the agreements. LCH (Asia-Pacific) Surveyors Limited, our independent property valuer, has confirmed that the aggregate rentals under the Vietnam Lease Agreements are fair and reasonable. For the maintenance fees under the Vietnam Lease Agreements, such fees have been negotiated at the time when entering into the agreements with reference to the prevailing price, and the utilities and other charges are based on the actual consumption of Starite Vietnam.

As for the property management fees have been determined with reference to the services provided to us based on our number of workers at the Vietnam Leased Premises.

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## CONTINUING CONNECTED TRANSACTIONS

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### ***Basis of Annual Caps***

Our Directors confirmed that the annual caps are determined after taking into account: (i) for the maintenance fees, such fees as set out in the Vietnam Lease Agreements; (ii) for property management fees, and utility expenses and charges, such fees and charges during the Track Record Period and the historical increase for these fees and charges during the Track Record Period; (iii) the total expected property area leased by our Group from Pou Sung Vietnam for each of the three years ending 31 December 2020; and (iv) the workers capacity at the Vietnam Production Base.

### ***Listing Rules implications***

As all applicable percentage ratios (other than the profit ratio) in respect of the proposed aggregate annual caps contemplated under the Vietnam Lease Agreements and the Property Management Agreement as aggregated are, on an annual basis, expected to be less than 5% and such proposed aggregate annual caps are more than HK\$3 million, such transactions will constitute exempt continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempted from circular (including independent financial advise) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as required by Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in case where the nature of the transaction requires the contracts to be of a duration longer than three years. As setting up a new production base in a foreign country involves substantial capital investment and long term investment, our Directors are of the view that a longer duration of the Vietnam Lease Agreements will provide and maintain stability of our business operations in Vietnam in the long term, and that it is common in Vietnam for such arrangement. Further, our Vietnam Legal Advisers have advised that (i) such long duration of lease agreements in Vietnam, such as for 30 years or more and especially for the factories in industrial zone are common; and (ii) each of the Vietnam Lease Agreements is valid, subsisting and enforceable and is in no way void or voidable.

### ***Waiver***

The continuing connected transactions as contemplated by each of the agreements as described above are expected to continue on a recurring basis after Listing and have been fully disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of such disclosure. Our Directors consider that it would be impractical, unduly burdensome and would add unnecessary administrative costs and workload for us to make disclosure of the transactions which are subject to announcement requirement in compliance with the requirements under Chapter 14A of the Listing Rules upon Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Vietnam Lease Agreements and the Property Management Agreement, provided that the total value of transactions under the agreements as aggregated for each of the years ending 31 December 2018, 2019 and 2020 will not exceed the relevant proposed annual caps set out above.

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## CONTINUING CONNECTED TRANSACTIONS

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### **Confirmation from our Directors**

Our Directors (including the independent non-executive Directors) are of the view that (i) the transactions contemplated under the Vietnam Lease Agreements and the Property Management Agreement have been and will be entered into in the ordinary and usual course of business, on normal commercial terms or better that are fair and reasonable and in the interest of our Shareholders as a whole; (ii) the proposed annual caps for the transactions contemplated under the Vietnam Lease Agreements and Property Management Agreement are fair and reasonable and in the interests of our Shareholders as a whole; and (iii) each of the Vietnam Lease Agreements was entered into to provide and maintain stability to our Group's operations in Vietnam in the long run and that it is normal business practice for agreements of this type to have such duration which has also been confirmed by the Vietnam Legal Advisers that it is common for long duration of 30 years or more of lease agreement (especially for the factories in industrial zones) in Vietnam.

### **Confirmation from the Sole Sponsor**

The Sole Sponsor is of the view that (i) the continuing connected transactions as contemplated under the Vietnam Lease Agreements and the Property Management Agreement have been and will be entered into in the ordinary and usual course of business, on normal commercial terms or better and in the interest of our Shareholders as a whole, and that the proposed annual caps for such transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) each of the Vietnam Lease Agreements was entered into to provide and maintain stability to our Group's operations in Vietnam in the long run and that it is normal business practice for agreements of this type to have such duration which has also been confirmed by the Vietnam Legal Advisers that it is common for long duration of 30 years or more of lease agreement (especially for the factories in industrial zones) in Vietnam.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Herman Yeung (楊樹堅先生)	69	Chairman and Executive Director	12 May 2004	12 May 2004	Overall management and strategic development of the Group	Brother of Mr. Philip Yeung and Mr. Edmond Yeung, uncle of Mr. Tony Yeung and Mr. Theodore Yeung
Mr. Philip Yeung (楊樹佳先生)	59	Executive Director	1 July 2004	1 August 2017	Overseeing quality control function of the factories in the PRC	Brother of Mr. Herman Yeung and Mr. Edmond Yeung, uncle of Mr. Tony Yeung and Mr. Theodore Yeung
Mr. Stephen Duong (楊衍釗先生)	56	Executive Director	1 July 2004	1 August 2017	Overseeing the accounting function of the Group in Hong Kong	Not applicable
Mr. Lu Chin-Chu (盧金柱先生)	64	Non-executive Director	12 May 2004	12 May 2004	Overall management and strategic development of the Group	Not applicable
Mr. Tsai Nai-Yung (蔡乃湧先生)	61	Non-executive Director	3 August 2009	10 August 2010	Overall management and strategic development of the Group	Not applicable
Mr. Yip Kwok Cheung (葉國祥先生)	54	Independent non-executive Director	19 June 2018	19 June 2018	Providing independent opinion and judgment to the Board	Not applicable
Mr. Chiu Che Chung Alan (丘至中先生)	37	Independent non-executive Director	19 June 2018	19 June 2018	Providing independent opinion and judgment to the Board	Not applicable
Mr. Ko Siu Tak (高少德先生)	54	Independent non-executive Director	19 June 2018	19 June 2018	Providing independent opinion and judgment to the Board	Not applicable

## DIRECTORS AND SENIOR MANAGEMENT

Other than our Directors, our senior management team consists of four members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Group. The following table sets forth information regarding our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management of our Company	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Edmond Yeung (楊樹雄先生)	55	Chief executive officer	1 February 1997	1 September 2017	Overseeing all aspects of the operations and strategic planning, formulation of corporate policies and new business initiatives	Brother of Mr. Herman Yeung and Mr. Philip Yeung, uncle of Mr. Tony Yeung and Mr. Theodore Yeung
Mr. Tony Yeung (楊宏先生)	44	Project director	1 January 2000	1 September 2017	Overseeing retail business and projects of our Group	Brother of Mr. Theodore Yeung, nephew of Mr. Herman Yeung, Mr. Philip Yeung and Mr. Edmond Yeung
Mr. Theodore Yeung (楊達先生)	37	Chief operating officer	1 February 2004	1 September 2017	Overseeing operational activities of our Group	Brother of Mr. Tony Yeung, nephew of Mr. Herman Yeung, Mr. Philip Yeung and Mr. Edmond Yeung
Mr. Tang Wing Yui (鄧穎睿先生)	34	Financial controller	10 April 2017	1 September 2017	Overseeing the accounting function and financial matters of our Group	Not applicable

### BOARD OF DIRECTORS

#### Executive Directors

**Mr. Herman Yeung** (楊樹堅), aged 69, was first appointed as a Director on 12 May 2004. He was appointed as the chairman of the Board on 15 December 2017 and was redesignated as an executive Director on 29 March 2018. Mr. Herman Yeung is also a director of other companies within our Group, which includes East Bright, Easy Great, Fame Mark, Glorieux Industrial (China), Glorieux HK, Grand One, Portwin, Promax HK, Prosperous HK, Prosperous Holdings Limited and Starite HK, and a supervisor of Xinfeng. Mr. Herman Yeung is mainly responsible for providing overall management and strategic development of our Group and has over 33 years of experience in the manufacturing industry. Mr. Herman Yeung was employed by Glorieux Industrial as a managing director between April 1985 and June 2004 mainly responsible for providing overall management and strategic development. In May 2004, he was appointed as a Director and in July 2004, he was employed by Glorieux HK as the chief operation officer for the Hong Kong region and mainly responsible for providing overall management and strategic development.

Mr. Herman Yeung graduated from Moral Training English College in Hong Kong in November 1969. He is the brother of Mrs. Yeung, Mr. Edmond Yeung, Mr. Philip Yeung and Mr. C. F. Yeung, the brother-in-law of Mr. Yeung and the uncle of Mr. Tony Yeung and Mr. Theodore Yeung.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Herman Yeung was one of the directors of the following companies at the time or within 12 months from the time of their dissolutions or commencements of dissolution procedures (otherwise than by a members' voluntary winding up). The relevant details are as follows:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Nature of business</b>	<b>Means of dissolution</b>	<b>Status</b>
Louis Gregory H.K. Limited <sup>(1)</sup>	Hong Kong	Investment holding	Striking off	Dissolved on 15 January 1999
Right Liaison Limited <sup>(1)</sup>	Hong Kong	Property investment	Striking off	Dissolved on 15 February 2002
Henicon Enterprises Limited <sup>(1)</sup>	Hong Kong	Property investment	Striking off	Dissolved on 10 May 2002
Express Concept Limited <sup>(1)</sup>	Hong Kong	Trading of garments	Striking off	Dissolved on 7 February 2003
Glorious Leader Investment Limited <sup>(2)</sup>	Hong Kong	Property investment	Deregistration	Dissolved on 29 September 2006
Winson Handtaps Company Limited <sup>(3)</sup>	Hong Kong	Trading of handtap products	Compulsory winding-up	On-going
Winson Trading (H.K.) Company Limited <sup>(3)</sup>	Hong Kong	Trading of handtap products	Compulsory winding-up	On-going
Hero City <sup>(4)</sup>	BVI	Dormant	Voluntary liquidation	Dissolved on 19 October 2017

*Notes:*

- (1) Based on the best recollection of and as confirmed by Mr. Herman Yeung, Louis Gregory H.K. Limited, Right Liaison Limited, Henicon Enterprises Limited and Express Concept Limited were solvent at the respective time of striking off.
- (2) Glorious Leader Investment Limited was deregistered whereby all of the members of the company agree to the deregistration of the company and the company has no outstanding liabilities.
- (3) The compulsory winding-up of Winson Handtaps Company Limited and Winson Trading (H.K.) Company Limited was initiated by Mr. Herman Yeung, a passive investor and a director of these companies. Mr. Herman Yeung is also a creditor of Winson Trading (H.K.) Company Limited.
- (4) Hero City was solvent at the time of dissolution.

Mr. Herman Yeung confirms that there is no fraudulent act or misfeasance on his part leading to the dissolutions or the commencements of dissolution procedures of such companies and, save as disclosed above, he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions or the commencements of dissolution procedures of such companies.

Mr. Herman Yeung did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Philip Yeung** (楊樹佳), aged 59, was appointed as a Director on 1 August 2017 and was redesignated as an executive Director on 29 March 2018. Mr. Philip Yeung is also a director of other companies within the Group, namely, East Bright, Easy Great and Fame Mark. Mr. Philip Yeung is responsible for overseeing the quality control function of the factories in the PRC and has over 35 years of experience in the manufacturing industry. He worked as an export assistant at Milagros (Far East) Limited between January 1983 and March 1985. Between April 1985 and June 2004, Mr. Philip Yeung was employed by Glorieux Industrial as a senior director and was mainly responsible for setting quality assurance policies and procedures for products manufactured. From July 2004, he was employed by Glorieux HK as a senior director for the quality assurance department and was mainly responsible for setting quality assurance policies and procedures for products manufactured.

Mr. Philip Yeung received a diploma in business administration and an advanced diploma in business administration from The Society of Business Practitioners in October 2000 and February 2002, respectively, through long distance learning course in Hong Kong. Mr. Philip Yeung is the brother of Mrs. Yeung, Mr. Herman Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung, the brother-in-law of Mr. Yeung and the uncle of Mr. Tony Yeung and Mr. Theodore Yeung.

Mr. Philip Yeung was one of the directors of the following companies at the time or within 12 months from the time of their dissolutions (otherwise than by a members' voluntary winding up). The relevant details are as follows:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Nature of business</b>	<b>Means of dissolution</b>	<b>Date of dissolution</b>
Dongguan Hongtu Sporting Goods Co., Ltd.* (Note) (東莞宏圖運動用品有限公司)	PRC	Manufacturing	Deregistration	29 July 2009

*Note:* Dongguan Hongtu Sporting Goods Co., Ltd. was in the process of setting-up when the application of deregistration commenced due to change of the business environment at the time. The company has not commenced any operation and was solvent at the time of deregistration.

Mr. Philip Yeung confirms that there is no fraudulent act or misfeasance on his part leading to the dissolutions of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of such companies.

Mr. Philip Yeung did not hold any directorship in any listed companies during the last three years.

**Mr. Stephen Duong** (楊衍釗), aged 56, was appointed as a Director on 1 August 2017 and redesignated as an executive Director on 29 March 2018. Mr. Stephen Duong is responsible for overseeing the accounting function of our Group in Hong Kong and has over 31 years of experience in the accounting field. The following table sets forth the work experience of Mr. Stephen Duong prior to joining Glorieux HK:

<b>Period</b>	<b>Company</b>	<b>Position and roles and responsibilities</b>	<b>Nature of business</b>
April 1986 to June 1989	Jademan Graphic Arts Pty, Ltd.	Accountant and responsible for fullsets of books	Graphics and typesetting

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## DIRECTORS AND SENIOR MANAGEMENT

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<b>Period</b>	<b>Company</b>	<b>Position and roles and responsibilities</b>	<b>Nature of business</b>
October 1989 to February 1990	Vikay International (Hong Kong) Ltd.	Assistant accountant and responsible for supervising accounts payable team	Electronic components and integrated circuit boards
May 1990 to June 1990	Imagineering Micro Distributors Ltd.	Assistant accountant and responsible for supervising accounts payable and receivable team	Software distributor
August 1990 to March 1991	Du Pont China Limited	Assistant accountant and responsible for supervising accounting team	Materials and chemical
February 1992 to June 2004	Glorieux Industrial	Accountant and responsible for supervising accounting team	Manufacturing

From July 2004, Mr. Stephen Duong was employed by Glorieux HK as an accounting manager and was later promoted to senior accounting manager from November 2012. He was mainly responsible for supervising the accounting team.

Mr. Stephen Duong graduated and obtained a higher diploma in accountancy from Lingnan University (formerly known as Lingnan College) in Hong Kong in November 1985.

Mr. Stephen Duong was one of the directors of the following company at the time or within 12 months from the time of its dissolution (other than by members' voluntary winding-up in Hong Kong). The relevant details are as follows:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Nature of business</b>	<b>Means of dissolution</b>	<b>Date of deregistration</b>
Bestmay Investments Limited ( <i>Note</i> )	Hong Kong	Property investment	Deregistration	24 November 2006

*Note:* Bestmay Investments Limited was deregistered whereby all of the members of the company agree to the deregistration of the company and the company has no outstanding liabilities.

Mr. Stephen Duong confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of such company.

Mr. Stephen Duong did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-executive Directors

**Mr. LU Chin-Chu (盧金柱)**, aged 64, joined our Group in May 2004. He was appointed as a Director on 12 May 2004 and redesignated as a non-executive Director on 29 March 2018. Mr. Lu is also a director of other companies within the Group, which includes Promax HK, Prosperous HK, Starite HK and Prosperous TW. Mr. Lu is responsible for providing overall management and strategic development of our Group.

Mr. Lu has over 40 years of experience in the manufacturing industry. The following table sets forth the key working experience of Mr. Lu:

<b>Period</b>	<b>Company</b>	<b>Position and roles and responsibilities</b>	<b>Nature of business</b>
November 1977 to present	Pou Chen Corporation (寶成工業股份有限公司)(stock code: 9904 TSE)	President (總經理) and responsible for the general management of the company's operations	Manufacturing of footwear products
February 1996 to March 2011	Yue Yuen	Executive director and responsible for providing industry recommendations to the board	Manufacturing of footwear products
September 2007 to February 2017	Luen Thai Holdings Limited (聯泰控股有限公司)(stock code: 0311)	Non-executive director and responsible for providing industry recommendations to the board	Textile and apparel
March 2014 to present	Yue Yuen	Executive director and chairman and responsible for planning and managing the business of the board and leading the board in setting the company's overall directions, policies, strategies, agendas and priorities	Manufacturing of footwear products
June 2015 to present	San Fang Chemical Industry Co., Ltd. (三芳化學工業股份有限公司) (stock code: 1307 TSE)	Director and responsible for providing industry recommendations to the board	Chemical industry
June 2015 to January 2018	Evermore Chemical Industry Co., Ltd. (日勝化工股份有限公司) (stock code: 1735 TSE)	Director and responsible for providing industry recommendations to the board	Chemical industry

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lu is involved in the board level activities of San Fang Chemical Industry Co., Ltd. and Evermore Chemical Industry Co., Ltd. and is not engaged in the day-to-day management of these companies. Except as disclosed above, Mr. Lu did not hold any directorship in any other listed companies during the last three years.

Mr. Lu obtained his master's degree in management at National Chung Hsing University (國立中興大學) in Taiwan in June 2016.

Mr. Lu was one of the directors of the following companies at the time or within 12 months from the time of their dissolutions (otherwise than by a members' voluntary winding-up in Hong Kong). The relevant details are as follows:

Company name	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution
Ever Up Holdings Limited <sup>(1)</sup>	Hong Kong	Investment Holding	Deregistration	4 March 2011
Hero City <sup>(2)</sup>	BVI	Dormant	Voluntary liquidation	19 October 2017

Notes:

- (1) Ever Up Holdings Limited was deregistered whereby all of the members of the company agree to the deregistration of the company and the company has no outstanding liabilities.
- (2) Hero City was solvent at the time of dissolution.

Mr. Lu confirms that there is no fraudulent act or misfeasance on his part leading to the dissolutions of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of such companies.

**Mr. TSAI Nai-Yung (蔡乃湧)**, aged 61, joined our Group in August 2009. He was appointed as a Director on 10 August 2010 and was redesignated as a non-executive Director on 29 March 2018. Mr. Tsai is also a director of other companies within the Group, which includes Glorieux Industrial (China), Glorieux HK, Promax HK, Prosperous HK, Starite HK and Prosperous TW. Mr. Tsai is responsible for providing overall management and strategic development of our Group.

Mr. Tsai has over 38 years of experience in the manufacturing industry. The following table sets forth the key working experience of Mr. Tsai:

Period	Company	Position and roles and responsibilities	Nature of business
May 1979 to July 2000	Pou Chen Corporation (寶成工業股份有限公司)(stock code: 9904 TSE)	Executive director and responsible for the management of the company's chemical and mold divisions	Manufacturing of footwear products
July 2000 to December 2002	Pou Yuen Technology Co., Ltd. (寶元科技股份有限公司)	Executive director and responsible for the management of the company's chemical and mold divisions	Manufacturing of chemical and mold products

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## DIRECTORS AND SENIOR MANAGEMENT

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Period	Company	Position and roles and responsibilities	Nature of business
December 2002 to July 2012	Yue Dean Technology Corporation (裕典科技股份有限公司)	Executive director and responsible for the management of the company's joint ventures and chemical and mold divisions	Manufacturing of footwear mold products
August 2012 to present	Pou Chen Corporation (寶成工業股份有限公司)(stock code: 9904 TSE)	Vice president and responsible for the management of the company's joint ventures and chemical and mold divisions	Manufacturing of footwear products

Mr. Tsai graduated from Lukang Junior High School\* (彰化縣立鹿港國民中學) in Taiwan in July 1972.

Mr. Tsai was one of the directors of the following companies at the time or within 12 months from the time of their dissolutions (otherwise than by a members' voluntary winding up). The relevant details are as follows:

Company name	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution
Easy Century Investments Limited <sup>(1)</sup>	Hong Kong	Investment holding	Deregistration	13 December 2013
Hero City <sup>(2)</sup>	BVI	Dormant	Voluntary liquidation	19 October 2017

*Note:*

- (1) Easy Century Investments Limited was deregistered whereby all of the members of the company agree to the deregistration of the company and the company has no outstanding liabilities.
- (2) Hero City was solvent at the time of dissolution.

Mr. Tsai confirms that there is no fraudulent act or misfeasance on his part leading to the dissolutions of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of such companies.

Mr. Tsai did not hold any directorship in any listed companies during the last three years save as disclosed above.

### Independent non-executive Directors

**Mr. YIP Kwok Cheung (葉國祥)**, aged 54, was appointed as the independent non-executive Director on 19 June 2018. Mr. Yip graduated from The Australian National University in Australia with a bachelor of economics in 1986.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yip has over 23 years of management experience. From 1994 to 1997, he served as the managing director in Teschner Pty Limited, a restaurant and catering company, in Canberra, Australia where he was responsible for directing company activities, managing budgets and providing guidance for staff. From November 1996 to June 2007, Mr. Yip served as an executive director in Merdeka Financial Services Group Limited (萬德金融服務集團有限公司\*)(formerly known as Tradeeasy Holdings Limited (易貿通集團有限公司), CCT Resources Holdings Limited (中建資源集團有限公司\*) and Merdeka Resources Holdings Limited (萬德資源集團有限公司\*)(stock code: 8163) where he was responsible for the management of the group and directing overall business and development strategies. From October 2008 to August 2014, Mr. Yip served as the managing director of Hong Kong in GlobalMarket Group (Asia) Limited (環球市場集團(亞洲)有限公司) (“**GlobalMarket Group**”) (an investment holding company) where he was mainly responsible for overseeing the operations of the company, handling business development projects. Since his resignation as a managing director, Mr. Yip remained in GlobalMarket Group as a consultant. In August 2009, Mr. Yip was appointed as an independent non-executive director of Brockman Mining Limited (布萊克萬礦業有限公司\*)(formerly known as Wah Nam International Holdings Limited (華南投資控股有限公司\*)(stock code: 159, ASX stock code: BCK) and in November 2015, he resigned his position in Brockman Mining Limited.

Save as disclosed above, Mr. Yip did not hold other directorship in any listed companies over the past three years.

**Mr. CHIU Che Chung Alan (丘至中)**, aged 37, was appointed as the independent non-executive Director on 19 June 2018.

Between November 2008 and October 2010, Mr. Chiu served as a financial planning manager at Centaline Financial Services Limited. Since November 2010, Mr. Chiu has been served as a senior investment manager in Springland (Hong Kong) Limited, an investment holding company, responsible for private fund operation and internal financial analysis.

Mr. Chiu graduated from York University in Canada with a bachelor of arts, majoring in Economics, in June 2016.

Mr. Chiu did not hold any directorship in any listed companies during the last three years.

**Mr. KO Siu Tak (高少德)**, aged 54, was appointed as the independent non-executive Director on 19 June 2018. Mr. Ko obtained a master of arts from Macquarie University, Australia in October 1995. He is the sole proprietor of SQC CPA Limited and a fellow member of the Hong Kong Institute of Certified Public Accountants HKICPA and a member of Society of Chinese Accountants and Auditors.

Mr. Ko has over 30 years of experience in business and risk management advisory areas. In January 1986, Mr. Ko joined Dun & Bradstreet (H.K.) Ltd. (a company mainly engaged in risk management business) as an assistant collection consultant in receivable management operations division and in 1993, was promoted as divisional manager responsible for running domestic operations divisions of collectors. From 1996 to July 1997, Mr. Ko served as director of operations in Dun & Bradstreet (H.K.) Ltd. responsible for overseeing the receivable management division. From December 1997 to October 2000, Mr. Ko served as a credit manager of Sing Tao Limited where he was responsible for billing, leasing, Insurance, credit risk management and government project management.

Subsequent to Sing Tao Limited, since January 2006, Mr. Ko became a director of Sino Credit Management (HK) Limited which primarily engages in the provision of credit risk solutions, and Mr. Ko is primarily responsible for its overall management and day-to-day operations. Mr. Ko has also incorporated Sino QC Investment Consultant Limited in June 2006 for the provision of business consultancy services and SQC CPA Limited in January 2007 for the provision of accounting and auditing services. Recently, Mr. Ko



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## DIRECTORS AND SENIOR MANAGEMENT

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incorporated GAMAHK Management Consulting Company Limited in March 2018, a company principally engages in business consultancy services. Mr. Ko is the sole shareholder and sole director for Sino QC Investment Consultant Limited, SQC CPA Limited and GAMAHK Management Consulting Company Limited, and responsible for the overall management and day-to-day operations of these companies.

Mr. Ko is a certified arbitrator of Zhanjiang Arbitration Commission (湛江仲裁委員會)/Zhanjiang Court of International Arbitration (湛江國際仲裁院) since June 2016.

Mr. Ko was one of the directors of the following company at the time or within 12 months from the time of its dissolution:

Company name	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution
Sino Business Management (HK) Limited (佳信隆商業管理(香港)有限公司)	Hong Kong	Provision of credit risk solutions	Creditors' voluntary winding up <sup>(Note)</sup>	25 May 2009

*Note:* Mr. Ko is also a shareholder of Sino Business Management (HK) Limited. Its board of directors has applied for creditors' winding-up in 2004 to close the business. Sino Business Management (HK) Limited was insolvent at the time and thereby was liquidated through creditors' voluntary winding-up.

Mr. Ko confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the above company and he is not aware of any actual or potential claims has been or will be made against him as a result of the dissolution of such company.

Furthermore, Mr. Ko did not hold any directorship in any listed companies during the last three years.

### General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements of Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

**Mr. Edmond Yeung** (楊樹雄), aged 55, has been appointed as our chief executive officer since 1 September 2017 and is mainly responsible for overseeing all aspects of the operations and strategic planning, formulation of corporate policies and new business initiatives. He started his career as a programmer with Starite Industries, Inc. (祺高實業有限公司)(a trading company) in November 1987 to January 1997.

The following table sets forth the work experience of Mr. Edmond Yeung within the Group:

Period	Company	Position and roles and responsibilities	Nature of business
February 1997 to August 2004	Prosperous TW	Operations manager and responsible for overseeing all the operations of the factories	Trading of raw materials
April 1999 to March 2000	Starite HK	Clerk and responsible for general clerical work	Trading of bag and pack products

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## DIRECTORS AND SENIOR MANAGEMENT

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<b>Period</b>	<b>Company</b>	<b>Position and roles and responsibilities</b>	<b>Nature of business</b>
April 2000 to July 2003	Starite HK	Manager and responsible for overseeing the strategic planning and new business initiatives	Trading of bag and pack products
September 2004 to present	Prosperous TW	Supervisor and responsible for overseeing the operational activities	Trading of raw materials

Mr. Edmond Yeung obtained his bachelor's degree in science from The University of Alberta in Canada in July 1986. Mr. Edmond Yeung did not hold any directorship in any listed companies during the last three years. Mr. Edmond Yeung is the brother of Mrs. Yeung, Mr. Herman Yeung, Mr. Philip Yeung and Mr. C. F. Yeung, the brother-in-law of Mr. Yeung and the uncle of Mr. Tony Yeung and Mr. Theodore Yeung.

**Mr. Tony Yeung** (楊宏), aged 44, joined our Group in January 2000. He has been a project director of our Company since September 2017 and is responsible for overseeing the retail business and projects of our Group.

The following table sets out the work experience of Mr. Tony Yeung within our Group:

<b>Period</b>	<b>Company</b>	<b>Position and roles and responsibilities</b>	<b>Nature of business</b>
January 2000 to March 2000	Starite HK	Clerk and responsible for general clerical work	Trading of bag and pack products
April 2000 to March 2001	Starite HK	Merchandiser and responsible for merchandising	Trading of bag and pack products
April 2001 to March 2013	Starite HK	Quality controller and responsible for quality assurance	Trading of bag and pack products
April 2014 to December 2014	Guangzhou Hongqitai	Supervisor and responsible for overseeing the operational activities	Trading of bag and pack products
January 2015 to July 2017	Guangzhou Hongqitai	Executive director and chief operating officer and responsible for overseeing the operational activities	Trading of bag and pack products

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Tony Yeung obtained his bachelor's degree in science from the Babson College in the United States in May 1995. Mr. Tony Yeung did not hold any directorship in any listed companies during the last three years. Mr. Tony Yeung is the son of Mr. Yeung and Mrs. Yeung, the brother of Mr. Theodore Yeung and the nephew of Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung.

**Mr. Theodore Yeung** (楊達), aged 37, joined our Group in February 2004. He has been the chief operating officer of our Company since 1 September 2017 and is responsible for overseeing the operational activities of our Group. Prior to that, he was a quality controller at Starite HK from February 2004 to March 2013 mainly responsible for quality assurance.

Mr. Theodore Yeung graduated from the Bentley University (formerly known as Bentley College) in the United States with the degree of bachelor of science in accountancy in May 2003. Mr. Theodore Yeung did not hold any directorship in any listed companies during the last three years. Mr. Theodore Yeung is the son of Mr. Yeung and Mrs. Yeung, the brother of Mr. Tony Yeung and the nephew of Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. C. F. Yeung.

**Mr. Tang Wing Yui** (鄧穎睿) (“Mr. Tang”), aged 34, is the financial controller of our Company and he joined our Group since April 2017. Mr. Tang holds a bachelor degree of business administration in accountancy from The Chinese University of Hong Kong since December 2007 and he is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2011. He has over 10 years of experience in auditing, accounting and finance. Mr. Tang worked for Deloitte Touche Tohmatsu from September 2007 to January 2013 and his last position was an audit senior. Prior to joining our Group, he was the group finance manager of Neo Telemedia Limited (stock code: 8167), a company listed on the GEM of the Stock Exchange, from October 2013 to April 2017. Mr. Tang was the financial controller of a subsidiary of our Company from 10 April 2017 to 31 August 2017 and designated to financial controller of our Company from 1 September 2017.

Mr. Tang did not hold any directorship in any listed companies during the last three years.

### COMPANY SECRETARY

**Mr. CHEUNG Yuk Chuen** (張玉存), aged 44, was appointed as our company secretary on 29 March 2018. Mr. Cheung graduated from the Hong Kong University of Science and Technology with a bachelor in business administration in accounting in November 1996. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung possesses over 21 years of experience in the fields of accounting, auditing and tax consultancy. Mr. Cheung has been employed by S.C. To & Co, Certified Public Accountants, since June 1996 and currently serves as a partner responsible for auditing and taxation. He has been the company secretary of Chinese Food and Beverage Group Limited (華人飲食集團有限公司)(stock code: 8272) since May 2015.

Mr. Cheung did not hold any directorship in any listed companies during the last three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

#### Audit Committee

We have established an audit committee on 19 June 2018 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely Mr. KO Siu Tak, Mr. CHIU Che Chung Alan and Mr. YIP Kwok Cheung. The chairman of the audit committee is Mr. KO Siu Tak.

#### Remuneration Committee

We have established a remuneration committee on 19 June 2018 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director, non-executive Director and senior management and to ensure none of our Directors and senior management determine their own remuneration. The remuneration committee consists of three members, namely Mr. Chiu Che Chung Alan, Mr. Ko Siu Tak and Mr. Herman Yeung. The chairman of the remuneration committee is Mr. Chiu Che Chung Alan.

#### Nomination Committee

We have established a nomination committee on 19 June 2018 with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of members of the Board. The nomination committee consists of three members, namely Mr. Yip Kwok Cheung, Mr. Chiu Che Chung Alan and Mr. Herman Yeung. The chairman of the nomination committee is Mr. Yip Kwok Cheung.

#### Sanction Risk Management Committee

We have established a sanction risk management committee on 19 June 2018 with written terms of reference. The sanction risk management committee of our Company consists of one Director and three members of our senior management team: Mr. Herman Yeung, Mr. Edmond Yeung, Mr. Theodore Yeung and Mr. Tang Wing Yui. Mr. Herman Yeung serves as the chairman of the sanction risk management committee. The primary responsibilities of our sanction risk management committee are to review our Group's business operations, in particular overseas and export business, to monitor and control our Group's sanction risk level and to formulate our Group's risk management strategies relating to compliance with sanction laws.

### REMUNERATION POLICY

The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics.

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## DIRECTORS AND SENIOR MANAGEMENT

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Each of the executive and non-executive Directors and senior management is entitled to a basic salary which is reviewed annually. In addition, each of the executive and non-executive Directors may receive a discretionary bonus as the Board may recommend. Such amount has to be approved by the Remuneration Committee. The remuneration package further includes other allowances, benefits in kind and defined contribution contributions.

In order to incentivise our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on 19 June 2018. For further details, see “Appendix IV – Statutory and General Information – F. Share Option Scheme”.

For the three years ended 31 December 2015, 2016 and 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately US\$0.7 million, US\$0.7 million and US\$1.1 million, respectively.

For the three years ended 31 December 2015, 2016 and 2017, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals of our Group was approximately US\$1.0 million, US\$1.0 million and US\$3.0 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors waived any remuneration during the Track Record Period.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

### **BOARD DIVERSITY POLICY**

Our Company has adopted the board diversity policy on 1 March 2018 (the “**Board Diversity Policy**”). The purpose of the Board Diversity Policy is to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in our Board. Candidates to our Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and education background, or professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to service the Shareholders and other stakeholders going forward.

Our Board comprises eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, quality assurance and control, business and risk management, and finance and accounting experiences in addition to manufacturing experiences. Furthermore, our Board has a wide range of age, ranging from 37 years old to 69 years old. Furthermore, out of the eight Directors, only Mr. Herman Yeung and Mr. Philip Yeung are related. After due consideration, the Board believes that based on our existing business model and specific needs, and meritocracy of our Directors, despite our Board currently has no female representation on our Board, the composition of our Board satisfies the Board Diversity Policy.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

Our Company has appointed WAG Worldsec Corporate Finance Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- iii. where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of WAG Worldsec Corporate Finance Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

So far as 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 issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or our underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	As at the Latest Practicable Date		Immediately after the Capitalisation Issue and the Global Offering <sup>(1)</sup>	
		Number of shares	Percentage of shareholding in our Company	Number of Shares	Percentage of shareholding in our Company
Prosperous BVI	Beneficial Owner	700,000	70%	588,000,000	52.5%
Mr. Yeung <sup>(2)</sup>	Interest in a controlled corporation	700,000	70%	588,000,000	52.5%
Mrs. Yeung <sup>(2)</sup>	Interest in a controlled corporation	700,000	70%	588,000,000	52.5%
Great Pacific <sup>(3)</sup>	Beneficial Owner	300,000	30%	252,000,000	22.5%
Yue Yuen <sup>(3)</sup>	Interest in a controlled corporation	300,000	30%	252,000,000	22.5%
Wealthplus Holdings Limited <sup>(4)</sup>	Interest in a controlled corporation	300,000	30%	252,000,000	22.5%
Pou Chen Corporation <sup>(4)</sup>	Interest in a controlled corporation	300,000	30%	252,000,000	22.5%

*Notes:*

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Prosperous BVI is owned as to 23% by Mr. Yeung, 23% by Mrs. Yeung, 12% by Mr. Herman Yeung, 12% by Mr. Tony Yeung, 12% by Mr. Theodore Yeung, 6% by Mr. Edmond Yeung, 6% by Mr. Philip Yeung and 6% by Mr. C. F. Yeung. Prosperous BVI is the beneficial owner of 588,000,000 Shares upon the Listing and Mr. Yeung is the spouse of Mrs. Yeung. By virtue of the SFO, Mr. Yeung and Mrs. Yeung together are deemed to be interested in all of our Shares held by Prosperous BVI.
- (3) Great Pacific is a wholly-owned subsidiary of Yue Yuen and the beneficial owner of 252,000,000 Shares upon the Listing. By virtue of the SFO, Yue Yuen is deemed to be interested in all of our Shares held by Great Pacific. Yue Yuen is a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.
- (4) Pou Chen Corporation is a shareholder of Yue Yuen and as at the Latest Practicable Date, is interested as to 50.33% of Yue Yuen through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 47.22% of Yue Yuen as at the Latest Practicable Date) and Win Fortune Investments Limited (interested as to 3.11% of Yue Yuen as at the Latest Practicable Date). By virtue of the SFO, Pou Chen Corporation is deemed to be interested in our shares held by Great Pacific. Pou Chen Corporation is incorporated in Taiwan and is listed on the Taiwan Stock Exchange (stock code: 9904).

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in our Shares or our underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.



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## SHARE CAPITAL

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### SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

#### Authorised Share Capital

As at the date of this prospectus:

	<i>HK\$</i>
<u>100,000,000,000</u> Shares	<u>1,000,000,000</u>

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

#### Issued Share Capital

<i>Issued Share Capital:</i>	<i>HK\$</i>	<i>Approximately percentage of issued share capital (%)</i>
780,000,000 Shares in issue as of the date of this prospectus	7,800,000	69.64
60,000,000 Shares to be issued under the Capitalisation Issue	600,000	5.36
<u>280,000,000</u> Shares to be issued under the Global Offering	<u>2,800,000</u>	<u>25.00</u>
<u>1,120,000,000</u> Shares	<u>11,200,000</u>	<u>100.00</u>

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

<i>Issued Share Capital:</i>	<i>HK\$</i>	<i>Approximately percentage of issued share capital (%)</i>
780,000,000 Shares in issue as of the date of this prospectus	7,800,000	67.13
60,000,000 Shares to be issued under the Capitalisation Issue	600,000	5.16
<u>322,000,000</u> Shares to be issued under the Global Offering	<u>3,220,000</u>	<u>27.71</u>
<u>1,162,000,000</u> Shares	<u>11,620,000</u>	<u>100.00</u>

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## SHARE CAPITAL

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Notes:

- (1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.
- (2) Assuming a total of 42,000,000 Shares will be issued upon exercise of the Over-allotment Option in full.

### RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all other Shares in issue as at the date of this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus.

### THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 19 June 2018. The principal terms of the Share Option Scheme are summarised in “Appendix IV – Statutory and General Information – E. Share option scheme”.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and
- (b) the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares as described below.

This general mandate to allot, issue and deal with our Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting unless renewed by an ordinary resolutions of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (b) upon the expiration of the period within which our Company is required by the Memorandum and Articles of Association, the Cayman Islands Companies Law or any applicable laws to hold its next annual general meeting; or
- (c) the revocation, variation or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to allot, issue and deal with our Shares, please see the paragraph headed “Appendix IV – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on 19 June 2018”.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our Shares with an aggregate nominal value of up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules.

This general mandate to repurchase our Shares will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (b) upon the expiration of the period within which our Company is required by the Memorandum and Articles of Association, the Cayman Islands Companies Law or any applicable laws to hold its next annual general meeting; or
- (c) the revocation, variation or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of the general mandate to repurchase our Shares, please see "Appendix IV – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholders of the Company passed on 19 June 2018".

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.*

*The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.*

### OVERVIEW

We are a leading manufacturer that designs, develops and manufactures recreational bags and packs, which are mainly backpacks, and provides quality supply chain management services for renowned global brands. According to the CIC Report, we are the third largest player in the global bags and packs manufacturing industry and the largest player in the global recreational bags and packs manufacturing and SCM market in terms of sales revenue in 2017, with market shares of approximately 4.0% and 5.5% respectively.

During the Track Record Period, our revenue from sales of bags and packs manufactured for brand owner customers were approximately US\$223.3 million, US\$217.9 million and US\$256.2 million in FY2015, FY2016 and FY2017 respectively, which accounted for 99.0%, 98.8% and 99.1% of our total revenue in each of these financial years respectively. To build on our operating history and product design and development knowhow, we introduced PROMAX, our proprietary brand of bags and packs in 2007 and rebranded it as MAISON PROMAX, which we positioned as an entry-level luxury fashion brand of bags and packs. For FY2015, FY2016 and FY2017, our revenue from retail sales of our MAISON PROMAX products represented 1.0%, 1.2% and 0.9% of our total revenue respectively.

To maintain our competitiveness amidst industry challenges, we have established large-scale and flexible manufacturing capabilities through our multi-regional manufacturing platform consisting of six manufacturing facilities in the PRC, Vietnam and Cambodia. Our multi-regional manufacturing platform, coupled with our overseas production management experience, have enabled us to navigate through preferential import tariffs and international trading policy benefits, and enjoy benefits from lower manufacturing costs and more abundant skilled labour, thereby allowing us to offer products at more competitive ex-factory prices to our customers with higher speed to market, and to support their strategies to venture into new markets, which we believe have reinforced our relationships with our existing major customers and enhanced our ability to attract potential ones.

For each of FY2015, FY2016 and FY2017, our total revenue was US\$225.3 million, US\$220.5 million and US\$258.5 million, respectively, while our net profit for the years were US\$13.8 million, US\$18.6 million and US\$21.1 million, respectively. Our net profit during the Track Record Period increased at CAGR of 23.5% was primarily attributable to the increase in sales volume of our products, from 22.1 million pieces in FY2015 to 24.6 million pieces in FY2017, driven by underlying demand from our major customers for our products.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

The consolidated financial information of our Group for the Track Record Period, which comprised the financial statements of our Company and its subsidiaries, has been prepared in accordance with HKFRSs. All intra-group transactions and balances have been eliminated on consolidation. For more information on the basis of presentation and preparation of the financial information included herein, please see Note 2.1 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

#### **Demand for bags and packs**

Our turnover and profitability are affected by the growth of the bags and packs market in the PRC and the ASEAN countries. According to the CIC Report, the bags and packs manufacturing and SCM market in the PRC is projected to rise at a CAGR of 8.1% between 2017 and 2022. Meanwhile, the ASEAN bags and packs manufacturing and SCM market is expected to grow at a CAGR of 12.2% between 2017 and 2022, with several ASEAN countries enjoying a number of key advantages, including cheaper labour costs, favourable tax treatment and international trading policies, and improved manufacturing knowhow.

Demand for our products depends to a significant extent on a number of factors relating to discretionary consumer spending that are beyond our control. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels, availability of credit and levels of taxation in the regions in which the products we manufacture are sold.

In addition, our results of operations are directly affected by the success of our major customers in their business. A majority of our major customers are brand owners, which may not be able to market and sell their products successfully or maintain their competitiveness due to lack of market acceptance or otherwise. Under those circumstances, our customers may reduce their orders or decrease the purchase volume of their orders to us, which in turn could adversely affect our results of operations and revenue from such customers. Accordingly, our success depends on our customers' ability to successfully sell their products that are sourced from us.

#### **Cost of materials**

Our cost of materials represents a major component of our cost of sales that accounted for approximately 56.4%, 53.8% and 54.9% of our cost of sales for FY2015, FY2016 and FY2017, respectively. Major raw materials used in bags and packs products include polyester fibre and nylon fibre, with their prices subject to national supply and demand dynamics. According to the CIC Report, the average price for nylon fibre in the PRC and Vietnam decreased by 17.2% and 23.3% respectively from 2015 to 2016, and subsequently increased by 25.0% and 17.4% respectively from 2016 to 2017; and the average price for polyester fibre in the PRC and Vietnam remained relatively stable from 2015 to 2017. Any increase in the price of raw materials would negatively impact our profitability if we are unable to effectively transfer the increased cost resulting from such price increase to our customers through increasing the selling price of our products.

## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of changes in cost of materials on our profit before tax for each of FY2015, FY2016 and FY2017, respectively. Fluctuations in the cost of materials are assumed to be 5% and 10%.

<b><i>Hypothetical fluctuations</i></b>	<b><i>Change in cost of materials</i></b>	
	<b><i>+/- 5%</i></b>	<b><i>+/- 10%</i></b>
	<b><i>USD'000</i></b>	<b><i>USD'000</i></b>
<b><i>Change in profit before tax</i></b>		
FY2015	-/+ 4,884	-/+ 9,768
FY2016	-/+ 4,445	-/+ 8,890
FY2017	-/+ 5,373	-/+ 10,747

*Note:* Save for the hypothetical fluctuations in cost of materials, all other factors are assumed to be unchanged. This sensitivity analysis is intended for reference only, and actual results may differ from the amounts indicated.

### **Labour costs**

Our manufacturing operations are labour intensive. Labour costs associated with our production is another major component of our cost of sales, that accounted for 23.9%, 24.4% and 22.7% of our costs of sales for FY2015, FY2016 and FY2017, respectively.

Our success depends in part upon our ability to attract, motivate and retain sufficient qualified labour. If we face labour shortages or significant increases in labour costs because of changes in labour laws and regulations, increasing competition for employees, higher labour turnover rates, increase in wages or increase in other employee benefits costs, our operating expenses could increase and our growth could be materially and adversely affected.

We face increasing competition for skilled workers among manufacturers in PRC and Vietnam over the past several years. We may incur additional costs to ensure that we have sufficient employees to accommodate our production and future growth.

The following sensitivity analysis illustrates the impact of changes in labour cost on our profit before tax for each of FY2015, FY2016 and FY2017, respectively. Fluctuations in the direct labour costs are assumed to be 5% and 10%.

<b><i>Hypothetical fluctuations</i></b>	<b><i>Change in labour costs</i></b>	
	<b><i>+/- 5%</i></b>	<b><i>+/- 10%</i></b>
	<b><i>USD'000</i></b>	<b><i>USD'000</i></b>
<b><i>Change in profit before tax</i></b>		
FY2015	-/+ 2,069	-/+ 4,138
FY2016	-/+ 2,013	-/+ 4,026
FY2017	-/+ 2,221	-/+ 4,443

*Note:* Save for the hypothetical fluctuations in labour costs, all other factors are assumed to be unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated.

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## FINANCIAL INFORMATION

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### **Fluctuations in foreign currency exchange rates**

Our purchases and operating costs are mainly denominated in RMB and VND while most of our sales proceeds are received in USD. As such, we are exposed to foreign currency risks. Any significant appreciation of RMB or VND against USD may adversely affect our profitability. As we do not have a foreign currency hedging policy, we cannot assure you that we will be able to effectively reduce our foreign currency risk exposure relating to our foreign currency-dominated assets.

Any adverse fluctuations in the exchange rate may affect our overseas purchases, repayment of foreign currency debts and export sales, and our financial condition and results of operations may be materially and adversely affected. Please also see Note 38(b) to the Accountants' Report set out in Appendix I to the prospectus for further details of our Group's foreign currency risk exposure.

### **Seasonality**

Demand for our bags and packs products is seasonal. Our sales performance is historically stronger during the period from April to June driven primarily by higher demand from our customers for their products launch before the commencement of academic year in September. The seasonality fluctuations may affect our sales performance and utilisation rate of our production facilities. Our sales performance and operating results for our peak periods should not be taken as an indication of our performance for the entire financial year. Hence, prospective investors should be aware of these seasonal fluctuations when making any comparison of our operating results.

## **SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENT**

Certain accounting policies are significant to the preparation of our Group's consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.



## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The following table summarises our consolidated statement of profit or loss for the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2015		FY2016		FY2017	
	Amount <i>US\$'000</i>	Percentage of total revenue	Amount <i>US\$'000</i>	Percentage of total revenue	Amount <i>US\$'000</i>	Percentage of total revenue
		%		%		%
<b>Revenue</b>	225,342	100.0	220,457	100.0	258,498	100.0
Cost of sales	<u>(173,182)</u>	<u>(76.9)</u>	<u>(165,329)</u>	<u>(75.0)</u>	<u>(195,683)</u>	<u>(75.7)</u>
<b>Gross profit</b>	52,160	23.1	55,128	25.0	62,815	24.3
Other income and gains, net	2,236	1.0	2,826	1.3	2,211	0.9
Selling and distribution expenses	(14,856)	(6.6)	(13,510)	(6.1)	(14,914)	(5.8)
Administrative expenses	(18,705)	(8.3)	(19,162)	(8.7)	(23,530)	(9.1)
Other expenses, net	(3,299)	(1.5)	(2,711)	(1.3)	(952)	(0.4)
Finance costs	<u>(79)</u>	<u>(0.0)</u>	<u>(36)</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>
<b>Profit before tax</b>	17,457	7.7	22,535	10.2	25,630	9.9
Income tax	<u>(3,639)</u>	<u>(1.6)</u>	<u>(3,940)</u>	<u>(1.8)</u>	<u>(4,548)</u>	<u>(1.7)</u>
<b>Profit for the year</b>	<u>13,818</u>	<u>6.1</u>	<u>18,595</u>	<u>8.4</u>	<u>21,082</u>	<u>8.2</u>

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS

#### Revenue

Our revenue are generated from sales of recreational bags and packs. The following table sets out, for the periods indicated, the breakdown of our revenue, sales quantity and average selling price (the "ASP") by product category during the Track Record Period:

	FY2015				FY2016				FY2017			
	Revenue <i>US\$'000</i>	Sales quantity		ASP <i>US\$/pc</i>	Revenue <i>US\$'000</i>	Sales quantity		ASP <i>US\$/pc</i>	Revenue <i>US\$'000</i>	Sales quantity		ASP <i>US\$/pc</i>
		%	<i>Pc'000</i>			%	<i>Pc'000</i>			%	<i>Pc'000</i>	
Outdoor & sporting	131,105	58.2	13,549	9.7	134,027	60.8	13,721	9.8	155,327	60.1	15,389	10.1
Functional	50,710	22.5	4,303	11.8	42,122	19.1	3,133	13.4	60,963	23.6	5,004	12.2
Fashion & casual	37,287	16.5	3,535	10.5	39,953	18.1	3,902	10.2	34,514	13.3	3,520	9.8
Others	<u>6,240</u>	<u>2.8</u>	<u>730</u>	8.5	<u>4,355</u>	<u>2.0</u>	<u>473</u>	9.2	<u>7,694</u>	<u>3.0</u>	<u>681</u>	11.3
<b>Total</b>	<u>225,342</u>	<u>100.0</u>	<u>22,117</u>	10.2	<u>220,457</u>	<u>100.0</u>	<u>21,229</u>	10.4	<u>258,498</u>	<u>100.0</u>	<u>24,594</u>	10.5

## FINANCIAL INFORMATION

During the Track Record Period, there was no significant change in our product mix. Outdoor & sporting bags and packs remained our major category of products sold to our customers, the sales of which accounted for 58.2%, 60.8% and 60.1% of our total revenue for FY2015, FY2016 and FY2017, respectively. During the Track Record Period, the increase in our revenue is generally in line with our increase in sales volume and primarily attributable to increases in our major customers' demand for our PDM and SCM services for the production of bags and packs in order to cope with their changes in product offerings or expansion to different markets.

### *By geographical regions*

During the Track Record Period, our products were shipped to over 85 countries and mainly delivered to North America. The following table sets out the breakdown of our revenue by destination of delivery of our products during the Track Record Period:

Geographical location <sup>(1)</sup>	FY2015		FY2016		FY2017	
	Revenue US\$'000	% of total revenue %	Revenue US\$'000	% of total revenue %	Revenue US\$'000	% of total revenue %
North America <sup>(2)</sup>	117,947	52.3	117,500	53.3	124,943	48.3
Asia <sup>(3)</sup>	64,454	28.6	60,051	27.2	80,850	31.3
Europe <sup>(4)</sup>	35,632	15.8	33,980	15.4	44,890	17.4
South America <sup>(5)</sup>	5,117	2.3	5,449	2.5	5,301	2.1
Oceania <sup>(6)</sup>	1,932	0.9	1,895	0.9	2,282	0.9
Africa <sup>(7)</sup>	260	0.1	1,582	0.7	232	0.0
Total	<u>225,342</u>	<u>100.0</u>	<u>220,457</u>	<u>100.0</u>	<u>258,498</u>	<u>100.0</u>

#### *Notes:*

- (1) This provides a geographical breakdown of our revenue by destination of delivery.
- (2) This includes, among others, the U.S., Canada and Mexico. Revenue from sales to the U.S. accounted for 48.7%, 49.2% and 44.6% of our total revenue for FY2015, FY2016 and FY2017, respectively.
- (3) This includes, among others, the Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Singapore, Taiwan and the Philippines. Revenue from sales to the Mainland China and Japan accounted for 15.3%, 11.5% and 15.8% of our total revenue, and 5.3%, 7.0% and 6.0% of our total revenue, for FY2015, FY2016 and FY2017 respectively.
- (4) This includes, among others, Belgium, France, Germany, Greece, Italy, the Netherlands, Russia, Spain, Sweden, Ukraine, and the U.K.. Revenue from sales to the Netherlands and the U.K. accounted for 7.2%, 4.7% and 12.1% of our total revenue, and 0.5%, 4.8% and 0.9% of our total revenue, for FY2015, FY2016 and FY2017 respectively.
- (5) This includes, among others, Argentina, Brazil, Chile, Columbia, Peru, Venezuela and Uruguay.
- (6) This comprises Australia and New Zealand.
- (7) This includes Egypt, Morocco, South Africa and Tunisia.

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### Cost of sales

The following table sets out a breakdown of cost of sales by nature for the periods indicated:

	FY2015		FY2016		FY2017	
	US\$'000	%	US\$'000	%	US\$'000	%
Cost of materials	97,683	56.4	88,903	53.8	107,467	54.9
Labour costs	41,384	23.9	40,264	24.4	44,429	22.7
Subcontracting charges	21,267	12.3	21,184	12.8	28,916	14.8
Depreciation and amortisation	3,257	1.9	3,055	1.8	3,029	1.5
Others	<u>9,591</u>	<u>5.5</u>	<u>11,923</u>	<u>7.2</u>	<u>11,842</u>	<u>6.1</u>
Total	<u>173,182</u>	<u>100.0</u>	<u>165,329</u>	<u>100.0</u>	<u>195,683</u>	<u>100.0</u>

Our cost of materials, being the largest component of our cost of sales, primarily comprises costs of raw materials and consumables, such as fabric and nylon, used in our production and changes in inventories. Subcontracting charges represent fees paid to third-party subcontractors for handling certain ancillary parts of our production, such as printing and gluing. Others mainly comprise rental expenses, tax and surcharges, utility expenses, custom charges and other production overheads. As a percentage of revenue, our cost of sales remained relatively stable at 76.9%, 75.0% and 75.7% for FY2015, FY2016 and FY2017, respectively.

### Gross profit and gross profit margin

The following table sets out a breakdown of gross profit and gross profit margin of our Group by product category for the periods indicated:

	FY2015		FY2016		FY2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	US\$'000	%	US\$'000	%	US\$'000	%
Outdoor & sporting	32,204	24.6	34,482	25.7	38,757	25.0
Functional	10,566	20.8	8,839	21.0	12,294	20.2
Fashion & casual	9,005	24.2	11,509	28.8	10,477	30.4
Others	<u>385</u>	<u>6.2</u>	<u>298</u>	<u>6.8</u>	<u>1,287</u>	<u>16.7</u>
Total	<u>52,160</u>	<u>23.1</u>	<u>55,128</u>	<u>25.0</u>	<u>62,815</u>	<u>24.3</u>

Our overall gross profit margin was relatively stable during the Track Record Period. Our slightly higher gross profit margin for FY2016 was mainly due to (i) the increase in revenue from additional orders from one of our major customers for two series of fashion & casual bags and packs which entailed relatively higher gross profit margins; and (ii) the decrease in our sales of functional bags and packs which entailed relatively lower gross profit margin.

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### Other income and gains, net

Other income and gains, net mainly represent bank interest income, government grants, charges levied on customers, and gain on sales of scrap materials. Government grants represent subsidies we received from various government authorities in the PRC for the development of our business, which are interest-free and unconditional. Charges levied on customers represented charges that we levied on customers who did not proceed to place purchase orders with us after the development of product prototypes, for reimbursement of our costs incurred for the prototype development and related material testing of the potential orders. Our other income and gains amounted to US\$2.2 million, US\$2.8 million and US\$2.2 million for FY2015, FY2016 and FY2017, respectively.

### Selling and distribution expenses

Selling and distribution expenses primarily comprise staff costs for our sales and logistic functions, logistic expenses, commission expenses, prototyping expenses, advertising and promotion expenses for our proprietary brand and others. Commission expenses include (i) commission paid to a third-party agent for business referrals, and (ii) commission paid to the operators of department stores for retail sales of our proprietary branded products. Others mainly included consultancy and management expenses, rental expenses, depreciation and amortisation and others. As a percentage of total revenue, our selling and distribution expenses accounted for 6.6%, 6.1% and 5.8% of our revenue for FY2015, FY2016 and FY2017, respectively.

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Staff costs	6,064	6,029	6,090
Logistic expenses	3,560	3,435	4,193
Commission expenses	1,372	848	1,210
Prototyping expenses	1,319	983	1,117
Advertising and promotion expenses	963	908	616
Others	<u>1,578</u>	<u>1,307</u>	<u>1,688</u>
Total	<u><u>14,856</u></u>	<u><u>13,510</u></u>	<u><u>14,914</u></u>

### Administrative expenses

Administrative expenses primarily include staff costs for our administrative functions, legal and professional fees, depreciation and amortisation, office expenses, other PRC tax expenses, travelling and telecommunication expenses, rental expenses and others. As a percentage of total revenue, our administrative expenses accounted for 8.3%, 8.7% and 9.1% for FY2015, FY2016 and FY2017, respectively.

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The following table sets out a breakdown of our administrative expenses for the periods indicated:

	FY2015	FY2016	FY2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Staff costs	10,526	10,803	14,570
Legal and professional fees	1,543	1,370	1,694
Listing expenses	–	–	746
Depreciation and amortisation	1,847	1,847	1,503
Office expenses	1,311	1,403	1,307
Other PRC tax expenses	878	791	1,119
Travelling and telecommunication expenses	573	709	637
Rental expenses	966	1,050	568
Others	<u>1,061</u>	<u>1,189</u>	<u>1,386</u>
 Total	 <u>18,705</u>	 <u>19,162</u>	 <u>23,530</u>

### Other expenses, net

Other expenses, net mainly comprise loss on subcontracting services provided, loss on disposal of fixed assets, impairment of trade receivables, foreign exchange losses and others, which amounted to US\$3.3 million, US\$2.7 million and US\$1.0 million for FY2015, FY2016 and FY2017, respectively. Loss on subcontracting services provided represented net loss from the non-recurring subcontracting services provided by our Vietnam Production Base to a related party, namely Pou Sung Vietnam, and other independent customers during our production slack seasons in order to cover the sunk costs of our production line. Pou Sung Vietnam is a wholly-owned subsidiary of Yue Yuen, which in turn is a substantial shareholder of our Company. For more details on the relationship between our Company and Yue Yuen, please refer to “History and Corporate Structure” and “Substantial Shareholders” in this prospectus. Loss on subcontracting services provided to Pou Sung Vietnam amounted to US\$0.9 million, US\$1.3 million and US\$0.3 million for FY2015, FY2016 and FY2017, respectively. Our other expenses also included provision of late charges for tax payment related to the transfer of the land use right in the Cooperation Land and the Third Party Production Plant prior to the Track Record Period, which amounted to US\$0.3 million for each of FY2015, FY2016 and FY2017, respectively. For details please refer to “Business – Properties – Owned Properties” in this prospectus.

### Finance costs

Finance costs comprise mainly interest charges on our bank borrowings. Finance costs amounted to US\$79,000, US\$36,000 and nil for FY2015, FY2016 and FY2017, respectively.

### Income tax

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

#### (i) Cayman Island/BVI profits tax

Our Group has not been subject to any profit tax in the Cayman Island/BVI.

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## FINANCIAL INFORMATION

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**(ii) Hong Kong profits tax**

Hong Kong profits tax has been provided at the applicable rate of 16.5% on our assessable profit in Hong Kong for the Track Record Period.

**(iii) PRC corporate income tax**

PRC corporate income tax has been provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of our subsidiaries or operations in the PRC during the Track Record Period.

**(iv) Vietnam corporate income tax**

Corporate income tax in Vietnam is 22%, 20% and 20% during FY2015, FY2016 and FY2017, respectively. However, for certain income generated, our subsidiary in Vietnam is entitled to (i) preferential corporate income tax rate of 15% from 2008 to 2020 and (ii) a reduction of 50% of corporate income tax payable from 2014 to 2020, subject to general conditions under the prevailing regulations in Vietnam.

**(v) Macau profit tax**

Our subsidiary in Macau is established as an offshore company in Macau and is accordingly exempt from Macau profit taxes under the prevailing regulations in Macau.

**(vi) Taiwan corporate income tax**

Taiwan corporate income tax has been generally provided at the applicable enterprise income tax rate of 17%, 17% and 20% on the estimated assessable profits of our subsidiary in Taiwan for FY2015, FY2016 and FY2017, respectively.

For FY2015, FY2016 and FY2017, our income tax expenses was US\$3.6 million, US\$3.9 million and US\$4.5 million, respectively; and our effective tax rate for the same period was 20.8%, 17.5% and 17.7%, respectively. Our effective tax rate decreased from FY2015 to FY2016, which was mainly attributable to the increase in our income generated from jurisdictions where we were entitled to preferential tax treatments, including Vietnam and Macau.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any material unresolved income tax issues or disputes with the relevant tax authorities.

## REVIEW OF HISTORICAL RESULTS OF OPERATION

### FY2017 compared to FY2016

#### **Revenue**

Our revenue increased by US\$38.0 million or 17.2% from US\$220.5 million for FY2016 to US\$258.5 million for FY2017, which was mainly a result of the increase in our sales of outdoor & sporting bags and packs and functional bags and packs.

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### *Revenue from sales of outdoor & sporting bags and packs*

Our revenue from sales of outdoor & sporting bags and packs increased by US\$21.3 million or 15.9% from US\$134.0 million for FY2016 to US\$155.3 million for FY2017, which was mainly due to the increase in our sales volume of this product category by 12.4% from 13.7 million pieces for FY2016 to 15.4 million pieces for FY2017, primarily due to (i) one of our major customers, who was principally engaged in selling performance apparel, footwear and accessories, had increased its marketing focus in accessory products including bags and packs; and (ii) another internationally renowned sportswear brand owner, who was also one of our major customers, had increased its purchases from us to cope with demand for its products in the China market.

### *Revenue from sales of functional bags and packs*

Our revenue from sales of functional bags and packs increased by US\$18.9 million or 44.9% from US\$42.1 million for FY2016 to US\$61.0 million for FY2017, primarily reflecting the increase in sales volume of functional bags and packs by 59.7%, which was mainly due to (i) the increase in demand for large-size bags and packs for professional cameras and electronic devices from one of our major customers; and (ii) increase in orders from a customer with which we have established a business relationship since 2016.

### *Revenue from sales of fashion & casual bags and packs*

Our revenue from sales of fashion & casual bags and packs decreased by US\$5.5 million or 13.8% from US\$40.0 million for FY2016 to US\$34.5 million for FY2017, which was mainly attributable to (i) the decreased sales to a brand owner which our Directors believed was to a certain extent caused by that brand owner's internal restructuring during that period; and (ii) the absence of a non-recurring event that we received additional orders during FY2016 from a major customer because one of its suppliers had ceased operations, such major customer did not make relatively high level of purchases from us in FY2017.

### *Revenue from sales of other bags and packs*

Our revenue from other bags and packs increased by US\$3.3 million or 75.0% from US\$4.4 million for FY2016 to US\$7.7 million for FY2017, which was mainly due to the increased demand for two new series of bags and packs from a customer.

### ***Cost of sales***

Cost of sales increased by US\$30.4 million or 18.4% from US\$165.3 million for FY2016 to US\$195.7 million for FY2017. Such increase was mainly due to (i) the increase in cost of materials by US\$18.6 million or 20.9%, which was in line with the increase in our sales volume; (ii) the increase in subcontracting surcharges by US\$7.7 million mainly attributable to the increase in subcontracting services we required in the PRC resulting from the decrease in number of workers we had in the PRC; and (iii) the increase in labour costs of US\$4.2 million mainly due to the increase in number of workers of our Vietnam Production Base.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased by US\$7.7 million or 14.0% from US\$55.1 million for FY2016 to US\$62.8 million for FY2017. Our gross profit margin remained relatively stable at 25.0% and 24.3% for FY2016 and FY2017, respectively.



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### ***Other income and gains, net***

Other income and gains, net decreased by US\$0.6 million or 21.4% from US\$2.8 million for FY2016 to US\$2.2 million for FY2017, which was mainly due to the decrease in our gain from sales of scrap materials.

### ***Selling and distribution expenses***

Selling and distribution expenses increased by US\$1.4 million or 10.4% from US\$13.5 million for FY2016 to US\$14.9 million for FY2017. The increase was primarily due to (i) the increase in logistic expenses of US\$0.8 million mainly as a result of the increase in sales volume in FY2017; and (ii) the increase in commission expenses of US\$0.4 million mainly attributable to commissions paid to a third-party agent we engaged for business referrals, as a result of the increase in our sales to a major customer it referred to us.

### ***Administrative expenses***

Administrative expenses increased by US\$4.3 million or 22.4% from US\$19.2 million for FY2016 to US\$23.5 million for FY2017, which was mainly due to (i) the listing expenses of US\$0.7 million incurred in FY2017; and (ii) a discretionary bonus of US\$3.9 million to our management and staff during FY2017, of which US\$2.4 million were paid to certain members of our senior management in recognition of their services in the past as well as their effort in the expansion of the production base in Cambodia and the successful rebrand of our proprietary brand to MAISON PROMAX during the year.

### ***Other expenses, net***

Other net expenses decreased by US\$1.7 million or 63.0% from US\$2.7 million for FY2016 to US\$1.0 million for FY2017. The decrease was mainly due to the decrease in our loss on subcontracting services provided by US\$1.1 million and the absence of foreign exchange losses of US\$0.4 million recognised in FY2016. Loss on subcontracting services provided represented net loss from our provision of subcontracting services by our Vietnam Production Base to certain customers in order to cover the sunk costs of our production lines during our production slack season.

### ***Finance costs***

Finance costs decreased from US\$36,000 for FY2016 to nil for FY2017 as we had no bank borrowing in FY2017.

### ***Income tax***

Income tax expenses increased by US\$0.6 million or 15.4% from US\$3.9 million for FY2016 to US\$4.5 million for FY2017, which was mainly due to the increase in our profit before tax by 13.7%. Our effective tax rate remained stable at 17.5% and 17.7% for FY2016 and FY2017 respectively.

### ***Profit for the year***

As a result of the foregoing, profit for the year increased by US\$2.5 million or 13.4% from US\$18.6 million for FY2016 to US\$21.1 million for FY2017. Our net profit margin remained relatively stable at 8.4% and 8.2% for FY2016 and FY2017 respectively.

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## FINANCIAL INFORMATION

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### **FY2016 compared to FY2015**

#### ***Revenue***

Our revenue remained relatively stable at US\$225.3 million and US\$220.5 million for FY2015 and FY2016, respectively.

#### ***Revenue from sales of outdoor & sporting bags and packs***

Our revenue from sales of outdoor & sporting bags and packs increased by US\$2.9 million or 2.2% from US\$131.1 million for FY2015 to US\$134.0 million for FY2016, which was mainly driven by the increased orders from one of our major customers headquartered in the U.S. who, our Directors believed, had expanded their marketing effort in overseas markets, in particular, the Mainland China market.

#### ***Revenue from sales of functional bags and packs***

Our revenue from sales of functional bags and packs decreased by US\$8.6 million or 17.0% from US\$50.7 million for FY2015 to US\$42.1 million for FY2016, primarily reflecting (i) the decrease in sales orders received from a major customer for its certain series of bags and packs as new design of these series of bags and packs were expected to be launched in 2017; and (ii) the reduced production of a series of bags and packs for a customer which entailed a relatively low gross profit margin.

#### ***Revenue from sales of fashion & casual bags and packs***

Our revenue from sales of fashion & casual bags and packs increased by US\$2.7 million or 7.2% from US\$37.3 million for FY2015 to US\$40.0 million for FY2016, which was mainly due to the increase in our sales volume for this product category by around 11.4% from 3.5 million pieces for FY2015 to 3.9 million pieces for FY2016, primarily as a result of additional orders received from one of our major customers, which our Directors believed was because of the cessation in operations of one of its other suppliers during FY2016.

#### ***Revenue from sales of other bags and packs***

Our revenue from other bags and packs decreased by US\$1.8 million or 29.0% from US\$6.2 million for FY2015 to US\$4.4 million for FY2016, which was mainly because a customer placed additional orders for certain types of products in FY2015 and no such orders for these types of products had been placed with us in FY2016.

#### ***Cost of sales***

Cost of sales slightly decreased by US\$7.9 million or 4.6% from US\$173.2 million for FY2015 to US\$165.3 million for FY2016, which mainly reflected the decrease in our cost of materials by US\$8.8 million and was in line with the decrease in our sales volume by 4.0% in FY2016.

#### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased by US\$2.9 million or 5.6% from US\$52.2 million for FY2015 to US\$55.1 million for FY2016. Our gross profit margin also slightly increased from 23.1% for FY2015 to 25.0% for FY2016, which was mainly due to (i) the increase in revenue from additional orders from one of our major customers for two series of fashion & casual bags and packs which entailed relatively higher gross profit margins; and (ii) the decrease in revenue from our sales of functional bags and packs which entailed relatively lower gross profit margin.

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## FINANCIAL INFORMATION

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### ***Other income and gains, net***

Other income and gains, net slightly increased by US\$0.6 million or 27.3% from US\$2.2 million for FY2015 to US\$2.8 million for FY2016. The increase in other income and gains, net was mainly due to the increase in charges levied on customers related to material testing and prototyping service charges.

### ***Selling and distribution expenses***

Selling and distribution expenses decreased by US\$1.4 million or 9.4% from US\$14.9 million for FY2015 to US\$13.5 million for FY2016. The decrease was primarily due to (i) the decrease in commission expenses of US\$0.5 million mainly attributable to commission paid to a third-party agent which we engaged for business referrals, as a result of the decrease in our sales to a major customer that it referred to us; and (ii) the decrease in prototyping expenses of US\$0.3 million incurred for FY2016.

### ***Administrative expenses***

Administrative expenses remained relatively stable at US\$18.7 million and US\$19.2 million for FY2015 and FY2016, respectively.

### ***Other expenses, net***

Other net expenses decreased by US\$0.6 million from US\$3.3 million for FY2015 to US\$2.7 million for FY2016. The decrease was mainly due to the decrease in foreign exchange loss of US\$1.2 million, which was partially offset by the increase in loss on subcontracting services provided of US\$0.5 million.

### ***Finance costs***

Finance costs remained relatively insignificant at US\$79,000 and US\$36,000 for FY2015 and FY2016, respectively.

### ***Income tax expense***

Income tax expense remained relatively stable at US\$3.6 million and US\$3.9 million for FY2015 and FY2016, respectively. Our effective tax rate slightly decreased from 20.8% for FY2015 to 17.5% for FY2016, which was mainly due to the increase in our income generated in FY2016 from jurisdictions where we were entitled to preferential tax treatments, including Vietnam and Macau.

### ***Profit for the year***

As a result of the foregoing, profit for the year increased by US\$4.8 million or 34.8% from US\$13.8 million for FY2015 to US\$18.6 million for FY2016. Our net profit margin increased from 6.1% for FY2015 to 8.4% for FY2016 mainly reflected the increase in our gross profit margin for FY2016.

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## FINANCIAL INFORMATION

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### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flow

Our primary uses of cash are for the payment of procurement of inventories from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and bank borrowings. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under “Future Plans and Use of Proceeds” in this prospectus.

The following table summarises, for the periods indicated, our statements of cash flows:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net cash from operating activities	15,316	22,379	30,438
Net cash (used in)/from investing activities	(7,324)	(10,311)	6,284
Net cash used in financing activities	<u>(6,183)</u>	<u>(11,894)</u>	<u>(3,211)</u>
Net increase in cash and cash equivalents	1,809	174	33,511
Cash and cash equivalents			
at beginning of year	35,383	36,980	36,959
Effect of foreign exchange rate changes, net	<u>(212)</u>	<u>(195)</u>	<u>851</u>
Cash and cash equivalents at end of year	<u><u>36,980</u></u>	<u><u>36,959</u></u>	<u><u>71,321</u></u>

#### ***Operating activities***

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for sales of our products. Our cash outflow used in operating activities was principally for purchases of inventories and operating expenses.

For FY2017, our Group had net cash from operating activities of US\$30.4 million, mainly as a result of the profit before tax of US\$25.6 million generated in this year, which was primarily adjusted for depreciation of US\$4.4 million and the increase in other payables and accruals of US\$4.2 million. This is partially offset by the increase in prepayments, deposits and other receivables of US\$2.0 million and the increase in inventories of US\$1.1 million.

For FY2016, our Group had net cash from operating activities of US\$22.4 million, mainly as a result of the profit before tax of US\$22.5 million generated in this year, which was primarily adjusted for depreciation of US\$4.7 million and the increase in trade and bills payables of US\$2.3 million. This is partially offset by the increase in trade and bills receivables of US\$6.3 million.

For FY2015, our Group had net cash from operating activities of US\$15.3 million, mainly as a result of the profit before tax of US\$17.5 million generated in this year, which was primarily adjusted for depreciation of US\$4.9 million. This is partially offset by the increase in trade and bills receivables of US\$2.3 million and the increase in inventories of US\$1.8 million.

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## FINANCIAL INFORMATION

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### ***Investing activities***

For FY2017, our Group had net cash from investing activities of US\$6.3 million primarily attributable to the decrease in time deposits with maturity of more than three months when acquired of US\$8.1 million, which was partially offset by the purchase of property, plant and equipment of US\$2.9 million.

For FY2016, our Group had net cash used in investing activities of US\$10.3 million primarily attributable to purchase of property, plant and equipment of US\$6.3 million and the net increase in time deposits with maturity of more than three months when acquired of US\$4.7 million.

For FY2015, our Group had net cash used in investing activities of US\$7.3 million primarily attributable to purchase of property, plant and equipment of US\$6.2 million and the net increase in pledged bank deposits relating to investing activities of US\$0.5 million, and consideration paid for the acquisition of a subsidiary of US\$0.5 million.

### ***Financing activities***

For FY2017, our Group had net cash used in financing activities of US\$3.2 million attributable to the repayment of amount due to a director.

For FY2016, our Group had net cash used in financing activities of US\$11.9 million primarily attributable to dividend paid of US\$10.0 million, net repayment of bank loans of US\$6.0 million and partially offset by the decrease in pledged bank deposits relating to financing activities of US\$2.5 million and advance from a director of US\$1.6 million.

For FY2015, our Group had net cash used in financing activities of US\$6.2 million primarily attributable to dividend paid of US\$10.0 million and the increase in pledged bank deposits relating to financing activities of US\$2.5 million, and partially offset by the net bank loans raised of US\$4.8 million and advance from a director of US\$1.6 million.

## FINANCIAL INFORMATION

### Net Current Assets

	As at 31 December			As at
	2015	2016	2017	30 April
	US\$\$'000	US\$\$'000	US\$'000	US\$'000
				(Unaudited)
<b>Current Assets</b>				
Prepaid land lease payments	111	105	110	110
Inventories	31,719	32,400	33,132	35,105
Trade and bills receivables	38,249	44,550	44,360	37,803
Prepayments, deposits and other receivables	5,475	5,688	6,491	6,301
Equity investments at fair value through profit or loss	105	–	–	–
Pledged bank deposits	3,603	658	–	–
Cash and cash equivalents	<u>40,350</u>	<u>45,061</u>	<u>71,321</u>	<u>73,643</u>
	<u>119,612</u>	<u>128,462</u>	<u>155,414</u>	<u>152,962</u>
<b>Current Liabilities</b>				
Trade and bills payables	20,640	22,900	23,347	24,130
Other payables and accruals	19,330	19,020	23,207	18,265
Dividend payable	–	–	35,000	35,000
Due to a director	1,613	3,211	–	–
Income tax payables	3,451	6,208	8,958	8,631
Bank borrowings	6,000	–	–	–
Derivative financial instruments	<u>252</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>51,286</u>	<u>51,339</u>	<u>90,512</u>	<u>86,026</u>
<b>Net current assets</b>	<u><u>68,326</u></u>	<u><u>77,123</u></u>	<u><u>64,902</u></u>	<u><u>66,936</u></u>

Our Group's net current assets increased from US\$68.3 million as at 31 December 2015 to US\$77.1 million as at 31 December 2016. The increase was primarily due to the net cash flow of US\$22.4 million from operating activities during FY2016 and partially offset by a dividend paid of US\$10.0 million and capital expenditure of US\$7.1 million on property, plant and equipment during FY2016.

Our Group's net current assets decreased from US\$77.1 million as at 31 December 2016 to US\$64.9 million as at 31 December 2017. The decrease was primarily due to a dividend declared of US\$35.0 million and capital expenditure on property, plant and equipment of US\$3.2 million during FY2017, and partially offset by net cash flow of US\$30.4 million from operating activities during the year.

Our Group's net current assets remained relatively stable at US\$66.9 million as at 30 April 2018 as compared to that as at 31 December 2017.

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## FINANCIAL INFORMATION

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### Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity.

Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds" in this prospectus.

### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Inventories

Our inventories consist of raw materials, work in progress and finished goods. Our principal raw materials include synthetic leather made with thermoplastic polyurethane (TPU), nylon, PU, knitted ropes, polyester and metallic components such as zippers and buckles. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demand in a timely manner without straining our liquidity. The balance of our inventories accounted for 26.5%, 25.2% and 21.3% of our total current assets as at 31 December 2015, 2016 and 2017, respectively.

The following table sets out a summary of our inventory balance as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Raw materials	9,788	6,716	9,134
Work in progress	9,465	12,349	9,568
Finished goods	<u>12,466</u>	<u>13,335</u>	<u>14,430</u>
	<u>31,719</u>	<u>32,400</u>	<u>33,132</u>

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, write-off of obsolete inventories of approximately US\$64,000, US\$0.6 million and US\$0.3 million were recorded for FY2015, FY2016 and FY2017, respectively.



## FINANCIAL INFORMATION

The following table sets out the turnover days of our inventories for the periods indicated.

	FY2015	FY2016	FY2017
Average turnover days of inventories <sup>(1)</sup>	<u>65</u>	<u>71</u>	<u>61</u>

(1) Average turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by costs of sales and multiplying by number of days in the relevant period.

Our average turnover days of inventories remained relatively stable during the Track Record Period.

As at 30 April 2018, US\$31.0 million or 93.6% of our inventories as at 31 December 2017 had been sold or utilised.

### Trade and bills receivables

The following table sets out our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Trade and bills receivables	38,249	44,610	44,398
Less: Impairment	<u>–</u>	<u>(60)</u>	<u>(38)</u>
Trade and bills receivables – net	<u>38,249</u>	<u>44,550</u>	<u>44,360</u>

Our trade and bills receivables increased by US\$6.4 million from US\$38.2 million as at 31 December 2015 to US\$44.6 million as at 31 December 2016, which was mainly due to higher sales we recorded in December 2016 primarily as a result of (i) additional orders from one of our major customers which our Directors believed was because of the cessation in operations of one of its other suppliers; and (ii) advanced Chinese New Year Holidays for 2017 compared to 2016. Our trade and bills receivables remained relatively stable at US\$44.6 million and US\$44.4 million as at 31 December 2016 and 2017, respectively.

Our Group's trading terms with our customers are mainly on credit. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 15 to 105 days for major customers. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by our senior management. We typically do not require any collateral as security.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As at 31 December 2015, 2016 and 2017, respectively, provisions for individually impaired trade receivables were nil, US\$60,000 and US\$38,000, respectively.

## FINANCIAL INFORMATION

The following table sets out the aging analysis (based on invoice date) of our trade and bills receivables net of allowance for doubtful debt, as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one month	28,264	27,039	25,729
One to two months	7,067	12,765	13,974
Two to three months	2,450	3,429	3,370
Over three months	<u>468</u>	<u>1,317</u>	<u>1,287</u>
<b>Total</b>	<b><u>38,249</u></b>	<b><u>44,550</u></b>	<b><u>44,360</u></b>

As at 31 December 2015, 2016 and 2017, trade receivables of US\$5.7 million, US\$6.1 million and US\$3.1 million, respectively, were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been a significant change in credit quality of our customers and the balances were considered fully recoverable.

As at 30 April 2018, US\$43.5 million or 98.0% of our trade receivables outstanding as at 31 December 2017 were settled.

The following table sets out our average turnover days of trade receivables as at the dates indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Average turnover days of trade receivables <sup>(1)</sup>	<u>60</u>	<u>69</u>	<u>63</u>

(1) Average turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by number of days in the relevant period.

Our average turnover days of trade receivables remained relatively stable within the credit period.

### Prepayments, deposits and other receivables

The following table sets out the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Prepaid rentals for land and buildings under finance leases	2,966	–	–
Other prepayments	1,088	687	1,925
Deposits and other receivables	<u>6,473</u>	<u>7,576</u>	<u>8,106</u>
<b>Total</b>	<b>10,527</b>	<b>8,263</b>	<b>10,031</b>
Portion classified as current assets	<u>(5,475)</u>	<u>(5,688)</u>	<u>(6,491)</u>
<b>Non-current portion</b>	<b><u>5,052</u></b>	<b><u>2,575</u></b>	<b><u>3,540</u></b>

## FINANCIAL INFORMATION

Our other prepayments mainly comprise prepayments for rentals and purchases of property, plant and equipment. Deposits and other receivables mainly include VAT and other tax receivables, rental and utility deposits and a consideration receivable of US\$1.6 million as at 31 December 2015, 2016 and 2017, respectively, in respect of the transfer of the Cooperation Land and Third Party Production Plant prior to the Track Record Period. Please see “Business – Properties – Owned Properties” for details.

Our prepayments, deposits and other receivables decreased by US\$2.2 million or 21.0% from US\$10.5 million as at 31 December 2015 to US\$8.3 million as at 31 December 2016 mainly due to the decrease in prepaid rentals for land and buildings under finance leases of US\$3.0 million in respect of our factory in Vietnam upon execution of the relevant lease agreement in 2016.

Our prepayments, deposits and other receivables increased by US\$1.7 million or 20.5% from US\$8.3 million as at 31 December 2016 to US\$10.0 million as at 31 December 2017 mainly due to (i) the prepayment of US\$1.0 million for fitting-out works in respect of our production plant in Cambodia; and (ii) the increase in rental deposits by US\$0.3 million mainly related to our production plant in Cambodia in FY2017.

### Trade and bills payables

Our trade and bills payables are derived primarily from payables related to our suppliers for purchases of inventories. Our trade and bills payables remained relatively stable at US\$20.6 million, US\$22.9 million and US\$23.3 million as at 31 December 2015, 2016 and 2017, respectively.

Our suppliers generally offer us trade credit periods from 45 to 60 days. The following table sets out, as at the end of reporting periods indicated, the aging analysis (based on invoice date) of our trade and bills payables:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one month	17,550	19,583	18,058
One to two months	1,524	1,931	3,703
Two to three months	884	783	854
Over three months	682	603	732
Total	20,640	22,900	23,347

The following table sets out the average trade and bills payables turnover days for the Track Record Period:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Average turnover days of trade payables <sup>Note</sup>	45	48	43

*Note:* Average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying number of days in the relevant period.

Our average trade payables turnover days remained relatively stable during the Track Record Period.

As at 30 April 2018, US\$22.9 million or 98.3% of trade payables outstanding as at 31 December 2017 had been fully settled.

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## FINANCIAL INFORMATION

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### Other payables and accruals

Our accruals mainly comprised accrued payroll and staff welfare expenses. Other payables mainly included our provision for tax payment and late charges in aggregate of US\$3.0 million, US\$3.0 million and US\$3.5 million as at 31 December 2015, 2016 and 2017, respectively, in connection with the gain on disposal of the land use right in the Cooperation Land and the Third Party Production Plant prior to the Track Record Period. Please see “Business – Properties – Owned Properties” for details. The following table sets out the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Accruals	15,704	15,405	18,727
Other payables	3,071	3,404	4,110
Receipt in advance	<u>555</u>	<u>211</u>	<u>370</u>
Total	<u>19,330</u>	<u>19,020</u>	<u>23,207</u>

Other payables and accruals remained relatively stable at US\$19.3 million and US\$19.0 million as at 31 December 2015 and 2016, respectively. Our other payables and accruals increased by US\$4.2 million or 22.1% from US\$19.0 million as at 31 December 2016 to US\$23.2 million as at 31 December 2017, which was mainly due to the provision for discretionary bonus for FY2017.

### Amounts due to Mr. Yeung

Our amounts due to a director represented funds advanced from Mr. Yeung, a director of certain subsidiaries of our Company, for the purpose of providing short-term working capital to our Group, which amounted to US\$1.6 million, US\$3.2 million and nil as at 31 December 2015, 2016 and 2017, respectively. Our amounts due to Mr. Yeung during the Track Record Period, which was unsecured, interest-free, non-trade in nature and had no fixed terms of repayment, had been fully settled during FY2017.

### Derivative financial instruments

Derivative financial instruments represent certain currency forward contracts entered by our Group prior to the Track Record Period with a view to reducing our foreign currency exposures which did not meet the criteria for hedge accounting under HKFRSs. Such currency forward contracts are carried at fair values and the resultant fair values of US\$152,000 and US\$13,000 were charged to profit or loss for FY2015 and FY2016, respectively. As at 31 December 2015, 2016 and 2017, we recognised derivative financial instrument under current liability at US\$252,000, nil and nil, respectively. As at the Latest Practicable Date, we had no enforceable currency forward contract and based on our present business requirement, our Directors confirmed that our Group had no intention to enter into any derivative financial instruments in the near future.

### CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of expenditures on acquisitions of property, plant and equipment for our operations. For FY2015, FY2016 and FY2017, our Group incurred capital expenditures of US\$6.2 million, US\$7.1 million and US\$3.2 million, respectively. For details please refer to Note 13 to the Accountants' Report set out in Appendix I to this prospectus. Subsequent to the Track Record Period and up to the Latest Practicable Date, save for capital expenditure of approximately US\$3.2 million in connection with our Cambodia Production Base, we did not have other material capital expenditure.

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We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

### PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules.

### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of land use rights, offices, factories and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Within one year	1,529	1,476	2,021
In the second to fifth year inclusive	104	112	2,625
After five years	<u>–</u>	<u>–</u>	<u>1,713</u>
Total	<u>1,633</u>	<u>1,588</u>	<u>6,359</u>

#### Capital commitments

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Contracted, but not provided for: Acquisition of property, plant and equipment	<u>774</u>	<u>–</u>	<u>1,732</u>

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## FINANCIAL INFORMATION

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### INDEBTEDNESS

The following table sets out our total debts as at 31 December 2015, 2016 and 2017 and 30 April 2018:

	As at 31 December			As at
	2015	2016	2017	30 April
	US\$'000	US\$'000	US\$'000	2018 US\$'000
				(Unaudited)
Bank loans repayable				
within one year				
<i>Secured</i>	2,000	–	–	–
<i>Unsecured</i>	<u>4,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
	6,000	–	–	–
Due to a director	<u>1,613</u>	<u>3,211</u>	<u>–</u>	<u>–</u>
Total	<u><u>7,613</u></u>	<u><u>3,211</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

The bank borrowings of our Group as at 31 December 2015 were guaranteed by a time deposit and a then director of our Company and a holding company of a shareholder of our Company. Our bank borrowings as at 31 December 2015 bore interest at rates ranging from 1.25% to 1.35% per annum. At the close of business on 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement, we had no outstanding bank borrowings.

As at 30 April 2018, being the latest practicable date for the purpose of indebtedness statement, we had aggregate unutilised banking facilities of US\$10.0 million, which were secured by corporate guarantees from certain subsidiaries of our Group.

During the Track Record Period, our Directors confirm that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

### Contingent liabilities

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities as of 30 April 2018, being the latest practicable date for our indebtedness statement.

### OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

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## FINANCIAL INFORMATION

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### TRANSACTIONS WITH RELATED PARTIES

For details of our related party transactions, please refer to Note 35 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted on arm's length basis.

### KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for each of the periods or as at each of the dates indicated:

	FY2015	FY2016	FY2017
Gross Profit Margin (%) <sup>(1)</sup>	23.1	25.0	24.3
Net Profit Margin (%) <sup>(2)</sup>	6.1	8.4	8.2
Return on equity (%) <sup>(3)</sup>	12.3	16.0	18.5
Return on total assets (%) <sup>(4)</sup>	<u>8.6</u>	<u>11.0</u>	<u>11.3</u>
<b>As at 31 December</b>			
	2015	2016	2017
Current ratio <sup>(5)</sup>	2.3	2.5	1.7
Quick ratio <sup>(6)</sup>	1.7	1.9	1.4
Gearing ratio (%) <sup>(7)</sup>	5.3	–	–
Net debt to equity ratio <sup>(8)</sup>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Notes:*

- (1) Gross profit margin was calculated as gross profit divided by revenue. See the "Review of Historical Results of Operation" in this section for more details on our gross profit margins.
- (2) Net profit margin was calculated as profit for the year divided by revenue. See the "Review of Historical Results of Operation" in this section for more details on our net profit margins.
- (3) Return on equity was calculated as profit for the year divided by the average balance of total equity attributable to the Shareholders and multiplied by 100%. Average balance was calculated by dividing the sum of opening balance and closing balance by two.
- (4) Return on total assets was calculated as profit for the year divided by the average balance of total assets and multiplied by 100%. Average balance was calculated by dividing the sum of opening balance and closing balance by two.
- (5) Current ratio was calculated as total current assets divided by total current liabilities.
- (6) Quick ratio was calculated as total current assets less inventories, and divided by total current liabilities.
- (7) Gearing ratio was calculated as total debt divided by total equity and multiplied by 100%.
- (8) Net debt to equity ratio was calculated as net debts (being total debt net of cash and cash equivalents) divided by total equity.



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### **Return on equity**

Our return on equity increased from 12.3% for FY2015 to 16.0% for FY2016, and increased further to 18.5% for FY2017, which was mainly due to the increase in our net profit in the Track Record Period.

### **Return on total assets**

Our return on total assets increased from 8.6% in FY2015 to 11.0% for FY2016 was mainly due to the increase in our net profit in FY2016. Our return on total assets remained stable in FY2017.

### **Current ratio**

Our current ratio remained relatively stable at 2.3 and 2.5 as at 31 December 2015 and 2016, respectively. Our current ratio decreased to 1.7 as at 31 December 2017 was mainly due to dividend of US\$35.0 million declared and payable as at 31 December 2017.

### **Quick ratio**

Our quick ratio remained relatively stable at 1.7 and 1.9 as at 31 December 2015 and 2016, respectively. Our quick ratio decreased to 1.4 as at 31 December 2017 was mainly due to dividend of US\$35.0 million declared and payable as at 31 December 2017.

### **Gearing ratio**

Our gearing ratio was 5.3%, nil and nil as at 31 December 2015, 2016 and 2017, respectively.

### **Net debt to equity ratio**

We had cash and cash equivalents in excess of total debt as at 31 December 2015, 2016 and 2017.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are exposed to market risks from changes in market rates and prices, such as interest rates, foreign currency, credit and liquidity.

### **(a) Interest rate risk**

Our Group's exposure to the risk of changes in market interest rates relates primarily to our Group's cash at banks and our Group's interest-bearing borrowings with floating interest rates.

### **(b) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of our significant investment operations in mainland China and Vietnam, our Group's consolidated statement of financial position can be affected significantly by movements in the RMB/US\$ and VND/US\$ exchange rates.

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## FINANCIAL INFORMATION

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The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in the RMB/US\$ and VND/US\$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
If RMB weakens against US\$ by 5%	(1,144)	(477)	(216)
If RMB strengthens against US\$ by 5%	1,144	477	216
If VND weakens against US\$ by 5%	65	59	282
If VND strengthens against US\$ by 5%	<u>(65)</u>	<u>(59)</u>	<u>(282)</u>

### (c) Credit risk

The carrying amount of trade receivables included in the consolidated statement of financial position represents our Group's maximum exposure to credit risk in relation to the trade receivables. Our Group has no significant concentration of credit risk in relation to trade receivables due to our Group's large customer base. Concentrations of credit risk are managed by diversity in customer based.

Our Group performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables. In this regard, our Directors consider that our Group's credit risk is minimal.

With respect to credit risk arising from the other financial assets of our Group, such as bank balances and other receivables, our Group's exposure to credit risk arises from default of other parties, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within our Group in relation to the other financial assets.

### (d) Liquidity risk

Our Group's objective is to maintain a balance between maintaining an adequate level of cash and cash equivalents to finance our Group's operations and investing surplus cash for higher return.

Financial liabilities of our Group included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year. The contractual undiscounted payments of these financial liabilities approximate to their carrying amounts.

The maturity profile of our Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is all repayable on demand or within one year.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

## LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and other fees and expenses incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK\$1.07 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our

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## FINANCIAL INFORMATION

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total listing expenses is estimated to be approximately US\$6.4 million, of which approximately US\$3.0 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of approximately US\$3.4 million has been or will be reflected in our profit or loss. Listing expenses of US\$0.7 million in relation to services already performed by relevant parties, were reflected in our profit or loss for FY2017, and additional listing expenses of US\$2.7 million are expected to be recognised in our profit or loss subsequent to the Track Record Period. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred. Our results of operations subsequent to the Track Record Period may be affected by the listing expenses we incurred in the period.

### **DIVIDEND AND DIVIDEND POLICY**

During the Track Record Period, dividends declared to the then shareholders of the Company was US\$10.0 million, nil and US\$35.0 million for FY2015, FY2016 and FY2017, respectively. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Subject to the above factors, our Directors currently intend to recommend dividends of around 30% of our net profit available for distribution to our Shareholders beginning from the financial year ending 31 December 2019. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Our dividend payable of US\$35.0 million as at 31 December 2017 to the then shareholders of the Company has been fully settled by cash prior to the Listing.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 18 February 2004 and is an investment holding company. US\$57.0 million of reserves were available for distribution to the Shareholders as at 31 December 2017.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please see the section "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for our unaudited pro forma adjusted consolidated net tangible assets.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, save as disclosed in "Summary – Recent development and no material adverse change", there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business – Our Strategies” in this prospectus for detailed description of our business strategies and future plans.

### REASONS FOR THE LISTING AND GLOBAL OFFERING

Our Directors are of the view that the Listing will bring the following advantages to our Group:

#### **1. Gaining access to additional financing sources for our capital requirements**

We adopt a relatively conservative liquidity management approach which had contributed to our relatively high level of cash and cash equivalents with minimal bank borrowings for the Track Record Period. We believe this liquidity management approach had served us well in supporting our relatively healthy business growth in the past and remain to be in the interest of our Group and our Shareholders going forward. Nevertheless, external funding (including equity financing) is also essential in supporting our business growth as our Directors believe that our cash and cash equivalents of approximately US\$73.6 million and the amount of our unutilised banking facilities of approximately US\$10.0 million as at 30 April 2018 are only sufficient for our current scale of operations before the implementation of our business strategies and future plans as set out in this prospectus, after taking into account that (i) the aggregate of our historical cost of sales, selling and distribution expenses and administrative expenses for each of FY2015, FY2016 and FY2017 amounted to approximately US\$206.7 million, US\$198.0 million and US\$234.1 million, respectively, which translates into a theoretical average monthly costs and expenses of approximately US\$17.2 million, US\$16.5 million and US\$19.5 million, respectively; (ii) we need to settle by cash prior to the Listing the dividend payable of US\$35.0 million as at 30 April 2018; and (iii) part of the investment costs for the implementation of our business strategies of approximately HK\$86.8 million in aggregate is expected to be funded by our internal financial resources.

Our Directors consider it necessary to maintain sufficient working capital as we generally rely on cash inflow from our customers to meet our payment obligations to our suppliers and from time to time there is a mismatch in the cash inflow from customers and cash outflow to our suppliers. Our cash inflow is dependent on prompt settlement of trade receivables by our customers. Our average trade receivable turnover days for FY2015, FY2016 and FY2017 were approximately 60 days, 69 days and 63 days, respectively, which were longer than our average trade payable turnover days for the corresponding years, being approximately 45 days, 48 days and 43 days, respectively. Accordingly, our Directors consider it is necessary to carefully manage our available financial resources and to maintain our sufficient liquidity cushion to support the working capital requirements of our daily operation.

#### **2. Strengthening our corporate profile, credibility and competitiveness**

We believe that a public listing status would assist us in reinforcing our image and place confidence in enhancing the confidence of stakeholders in the industry including our existing and prospective brand owner customers and in particular those well-known multinational brand owners who are more willing to establish business relationship with listed companies. Following the Listing, our internal control and corporate governance practice will also be enhanced thereby generating reassurance among our existing customers and suppliers and strengthening our competitiveness in the global bags and packs manufacturing and SCM market.

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## FUTURE PLANS AND USE OF PROCEEDS

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The increased level of information transparency after Listing would also give our existing and prospective suppliers and customers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company on the Stock Exchange in Hong Kong is an efficient and complementary means of advertising our Group which would also raise our Group's market exposure and awareness as well as reputation amongst our competitors, in particular to the overseas potential brand owners and suppliers, which would help implement our business strategies. Our Directors are of the view that the Listing will increase our bargaining power in negotiating transaction terms with customers and suppliers. For instance, our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit period and higher credit limit, after the Listing due to the enhanced transparency on our Group's financial and operational information as a listed company of the Stock Exchange.

### **3. Diversifying shareholder base and enhancing liquidity in trading of our Shares**

The Listing will provide liquidity to and create a market for the trading of our Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.

### **4. Establishing an efficient and sustainable fund-raising platform**

The Listing will allow our Group to establish an efficient and sustainable fund-raising platform, thereby enabling us to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximising shareholders' return.

### **5. Enhancing employees' performance through equity-based incentive scheme**

The Listing will enable our Company to offer equity-based and publicly tradable shares under the Share Option Scheme to our employees as incentive. As the performance of the Share price will generally relate to our performance, we believe through the incentive scheme, our employees will be more motivated to improve our performance to create value for our Shareholders.

### **6. Upholding our market position**

With the net proceeds from the Global Offering, our Directors believe that our Group will be able to expand in a more expedient manner by increasing our production capacities and capabilities, which in turn will enable us to uphold our market competitiveness and increase market shares in the global bags and packs manufacturing and SCM market and global recreational bags and packs segment in the manufacturing and SCM market.

In view of the above, although our Group had sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that it is strategically and commercially justifiable to pursue the Listing and the Global Offering, and the net proceeds from the Global Offering are required and necessary to finance the implementation plan as well as the future growth and expansion of our Group.

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## FUTURE PLANS AND USE OF PROCEEDS

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### USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.07 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$249.8 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (i) approximately 67.0%, or HK\$167.4 million, will be used for further enhancement of our manufacturing capacity and flexibility by expanding our manufacturing platforms in Cambodia, among which:
  - (a) in the case of Plant One of our Cambodia Production Base, (1) approximately 3.3%, or HK\$8.3 million, will be used for lease of land and factory buildings as well as fitting out work of the factory premises; (2) approximately 3.1%, or HK\$7.7 million, will be used for acquisition of new production machinery and equipment; and (3) approximately 2.3% or HK\$5.8 million will be applied on the recruitment of an experienced management team who shall be responsible for the daily management of the operations of Plant One; and
  - (b) in the case of Plant Two of our Cambodia Production Base, (1) approximately 38.8% or HK\$96.7 million, will be used for lease of land and construction and fitting out works of the factory buildings, and (2) approximately 19.5%, or HK\$48.9 million, will be used for acquisition of new production machinery and equipment;
- (ii) approximately 15.2%, or HK\$38.0 million, will be used for enhancement of our production efficiency and capabilities as well as our quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, and setting up a research and development centre and additional testing laboratories, among which:
  - approximately 10.0%, or HK\$25.0 million, will be used for replacing and upgrading our production facilities of our PRC and Vietnam production bases, such as purchasing additional production equipment and automated or computerised machinery to enhance our production efficiency and replacing obsolete and aged machinery and equipment;
  - approximately 2.7%, or HK\$6.9 million, will be used to establish a new research and development centre at our Vietnam Production Base, such as acquiring equipment and machineries and recruiting research and development personnel; and
  - approximately 2.5%, or HK\$6.1 million, will be used for strengthening our laboratory testing capabilities, by equipping our Vietnam testing laboratory with new testing equipment, setting up a testing laboratory at our new Cambodia Production Base and recruiting additional laboratory personnel;
- (iii) approximately 6.2%, or HK\$15.4 million, will be used for enhancing brand recognition for our MAISON PROMAX brand and expansion of our retail business, including leasing three additional direct-operated department store concession counters in premium locations in Taiwan, launching promotional campaigns and activities through multiple marketing channels, enhancing our online sales platform to receive international orders outside the Taiwan market and upgrading our point of sales and customer relationship management systems to enhance the efficiency of our sales process; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- (iv) approximately 11.6%, or HK\$29.0 million, will be used for enhancing our information technology infrastructure to strengthen our existing information systems, optimise our operation and increase our overall operational efficiency.

If the Offer Price is set at HK\$1.25 per Offer Share (being the high-end of the indicative Offer Price Range), HK\$0.89 per Offer Share (being the low-end of the indicative Offer Price Range) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full, the net proceeds will increase to approximately HK\$346.5 million, assuming the Offer Price is set at the high-end of the indicative Offer Price Range. In such event, we intend to apply the net proceeds as to (i) approximately 66.4% or HK\$230.0 million for further enhancement of our manufacturing capacity and flexibility by expanding our manufacturing platforms in Cambodia; (ii) approximately 15.1% or HK\$52.2 million for enhancement of our production efficiency and capabilities as well as enhancement of our quality control by replacing and upgrading existing production machinery and acquisition of additional machinery, and setting up a research and development centre and additional testing laboratories; (iii) approximately 6.1% or HK\$21.2 million for enhancing brand recognition of our MAISON PROMAX brand and expansion of our retail business; (iv) approximately 11.5% or HK\$39.8 million for enhancing our information technology infrastructure; and (v) approximately 0.9% or HK\$3.3 million for our general working capital.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.



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## UNDERWRITING

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### SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

*Huajin Securities (International) Limited*

### JOINT LEAD MANAGERS

*Huajin Securities (International) Limited*

*Nobleseed Securities Limited*

*Grand View Securities Limited*

### CO-MANAGERS

*CSC Securities (HK) Limited*

*Fulbright Securities Limited*

### UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 28,000,000 Hong Kong Offer Shares and the International Placing of initially 252,000,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in “Structure and Conditions of the Global Offering” in this prospectus as well as to the Over-allotment Option in the case of the International Placing.

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Public Offering, our Company is offering 28,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including an additional 42,000,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement,

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## UNDERWRITING

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the Hong Kong Underwriters have agreed to subscribe for, or to procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

### ***Grounds for Termination***

The obligations of the Hong Kong Underwriters to subscribe for, or to procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement is subject to termination by notice in writing to our Company from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if at or prior to 8:00 a.m. on the Listing Date:

**(a) there has come to the notice of the Sole Global Coordinator:**

- (i) that any statement contained in this prospectus, the Application Forms, the formal notice (collectively, the “**Offer Document**”) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole in any material respect; or
- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
- (iii) any breach of any of the obligations imposed or to be imposed upon any party to this Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnity clause in the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or
- (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect of any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

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## UNDERWRITING

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- (vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to be named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management members of our Group as set out in “Directors and Senior Management” in this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole and absolute opinion to be material; or

**(b) there shall develop, occur, exist or come into effect:**

- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
- (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political,

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## UNDERWRITING

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- military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
  - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law (s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions which any member of our Group is incorporated in or relevant to the business of any member of our Group or the Global Offering (the “**Specific Jurisdictions**”); or
  - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
  - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions (except the Sanctioned Jurisdictions as defined and disclosed in this prospectus); or
  - (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in our Shares; or
  - (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors” in this prospectus; or
  - (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of the Warrantors; or
  - (x) any of our Directors and senior management members of our Company as set out in “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
  - (xi) our chairman or chief executive officer of our Company vacating his office; or

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## UNDERWRITING

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- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any member of our Group or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares under the Over-allotment Option pursuant to the terms of the Global Offering; or
- (xv) non-compliance by our Company of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity, which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):
  - (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or the Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
  - (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
  - (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
  - (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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## UNDERWRITING

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### ***Undertakings to the Stock Exchange Pursuant to the Listing Rules***

#### ***(A) Undertakings by Our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances provided under Rule 10.08 of the Listing Rules.

#### ***(B) Undertakings by Our Controlling Shareholders, Yue Yuen and Great Pacific***

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders, Yue Yuen and Great Pacific has undertaken to the Stock Exchange and to our Company that, except pursuant to any lending of Shares by Prosperous BVI pursuant to the Stock Borrowing Agreement, he or she or it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be the controlling shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, he or she or it will:

- (i) when he or she or it pledges or charges any Shares beneficially owned by him or her or it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he or she or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

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## UNDERWRITING

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### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by Our Company*

We have undertaken to each of the Sole Sponsor, Sole Global Coordinator, Sole Bookrunner, Joint Lead Managers and the Hong Kong Underwriters that we will not, and will procure each member of our Group not to, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any securities of our Company or any shares or securities of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).



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## UNDERWRITING

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Our Company has also undertaken that it will not, and will procure each member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, we enter into any such transactions specified in (a), (b) or (c) above or offer or agree to, or announce an intention to effect any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

*(B) Undertakings by Our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
- (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above,

which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (i) at any time during the Second Six-Month Period, it shall not, and shall procure that the Controlled Entities shall not, enter into any of the

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## UNDERWRITING

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transactions referred to in (a), (b) or (c) in the paragraph above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “controlling shareholders” (as defined in the Listing Rules) of our Company; (ii) in the event that it enters into any of the transactions specified in (a), (b) or (c) in the paragraph above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it shall take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company; and (iii) it shall, and shall procure that the relevant registered holder(s) of the Relevant Securities and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Sole Bookrunner, and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

### ***Hong Kong Underwriters’ Interests in our Company***

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as at the Latest Practicable Date, the Hong Kong Underwriters were not interested legally or beneficially, directly or indirectly, in any shares or securities in our Company or any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **International Placing**

#### ***International Underwriting Agreement***

In connection with the International Placing, our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please refer to “Structure and Conditions of the Global Offering – The International Placing” in this prospectus for further details.

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## UNDERWRITING

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### ***Over-allotment Option***

Our Company expects to grant to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters)), the Over-allotment Option which will be exercisable in whole or in part as one or more times from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 42,000,000 additional Shares, representing no more than 15% of the number of Offer Shares initially available to the Global Offering at the Offer Price, to cover over-allocations in the International Placing, if any.

### **Commissions and Expenses**

We will pay the Sole Global Coordinator (for itself and on behalf of the other Underwriters) an underwriting commission of 5.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters.

Assuming that the Over-allotment Option is not exercised and based on an Offer Price of HK\$1.07 per Offer Share (being the mid-point of the indicative Offer Price Range of HK\$0.89 to HK\$1.25 per Offer Share), the underwriting commission, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated in aggregate to be approximately HK\$49.8 million.

### **Indemnity**

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

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 account of others. In relation to the Shares, those activities could include acting as 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

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## UNDERWRITING

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transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have, as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of 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.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, 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 such activities may occur both during and after the end of the stabilising period described in “Structure and Conditions of the Global Offering – Stabilisation” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that, when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) 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) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 28,000,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Placing of an initial 252,000,000 International Placing Shares, subject to reallocation as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but cannot do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Placing which are not allowed and are bound to be rejected. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional and institutional investors expected to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around the Price Determination Date.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

### PRICING AND ALLOCATION

#### Pricing

The Offer Price is expected to be fixed by an agreement between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) 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 Monday, 9 July 2018 and in any event no later than Wednesday, 11 July 2018 and the Offer Shares are expected to be allocated shortly thereafter. If for any reason, we and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK\$1.25 per Offer Share and is expected to be not less than HK\$0.89 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### Reduction in offer price range and/or number of Offer Shares

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.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be inappropriate, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, with the consent of our Company, 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 Offering.

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 Offering on Friday, 6 July 2018, cause to be published at our website at [www.pihl.hk](http://www.pihl.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range 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 Offering 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 Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in “Summary” in this prospectus and any other financial information which may change as a result of such reduction.

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 Offering. 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 Offering, 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 Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Allocation of the International Placing Shares under the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell 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 Offering will be based on the level of valid applications received under the Hong Kong Public Offering. 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.



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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The applicable Offer Price, the level of applications in the Hong Kong Public Offering, 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 Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

### Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the 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 Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of 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 Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on Thursday, 12 July 2018 on our website ([www.pihl.hk](http://www.pihl.hk)) (in English and Chinese) and on the Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)) and in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

## CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to reallocation), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriter under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (on behalf of the other Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting 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 the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by Wednesday, 11 July 2018 between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on our website ([www.pihl.hk](http://www.pihl.hk)) (in English and Chinese) and on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next day following such lapse. In such case, all application monies will be returned to the applicants, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

**Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 12 July 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 13 July 2018, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.**

### THE HONG KONG PUBLIC OFFERING

We are initially offering 28,000,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 280,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 25% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form or applying online through **HK eIPO White Form** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the other Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK\$1.25 per Offer Share and is expected to be not less than HK\$0.89 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.25 on each Hong Kong Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% the Stock Exchange trading fee on each Hong Kong Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.25 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, 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.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 14,000,000 Hong Kong Offer Shares, being 50% of the Hong Kong Public Offering Shares initially being offered for subscription under the Hong Kong Public Offering, will be rejected.

### **Reallocation and Clawback**

#### ***Reallocation***

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;
  - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 28,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 56,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
  - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 84,000,000 Offer Shares (in the case of (1)), 112,000,000 Offer Shares (in the case of (2)) and 140,000,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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- (b) where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 28,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 56,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK\$0.89 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the result announcement of the Global Offering, which is expected to be published on Thursday, 12 July 2018.

### THE INTERNATIONAL PLACING

The International Placing will consist of initially 252,000,000 Shares and is subject to reallocation and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U. S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offering becoming unconditional.

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “bookbuilding” process described in the paragraph headed “Pricing and allocation” in this section 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 Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator at any time from the Listing Date and during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 42,000,000 Shares, representing 15% of the initial number of the Offer Shares, at the Offer Price, under the International Placing to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised, an announcement will be made.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial public offer prices of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the other Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Huajin Securities (International) Limited has been appointed as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilising activity is required to be brought to an end within 30 days from the last day for lodging application under the Hong Kong Public Offering. The number of Shares that may be over allocated will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 42,000,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period to cover such over-allocation by (among other methods) making purchases in the secondary market, selling Shares to liquidate a position held as a result of those purchases, exercising the Over-allotment Option in full or in part, stock borrowing or by any combination of any of the foregoing.

The possible stabilising action which may be taken by the Stabilising Manager, its affiliates or any person acting for it in connection with the Global Offering may involve (among other things) (i) purchases of Shares; (ii) establishing, hedging and liquidating positions in Shares; (iii) exercising the Over-allotment Option in whole or in part; (iv) stock borrowing; and/or (v) offering or attempting to do any of (i), (ii), (iii) or (iv) above.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of our Shares, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of any security (including our Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Prosperous BVI, to borrow, whether on its own or through its affiliates, up to 42,000,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Prosperous BVI by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Prosperous BVI or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Prosperous BVI by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the other Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing. The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in “Underwriting” in this prospectus.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 13 July 2018, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, 13 July 2018. Our Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1731.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 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](http://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 Sole Global Coordinator, 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

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) 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 Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- 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](http://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 Friday, 29 June 2018 to 12:00 noon on Friday, 6 July 2018 from:

- (i) the following office of the Hong Kong Underwriters:

**Huajin Securities (International) Limited**

Suite 1101, 11/F,  
Champion Tower,  
3 Garden Road, Central,  
Hong Kong

**Nobleseed Securities Limited**

Units 802-7, 8th Floor,  
Sun Hung Kai Centre,  
30 Harbour Road, Wanchai,  
Hong Kong

**Grand View Securities Limited**

Suite 6209, 62/F,  
The Center,  
99 Queen's Road, Central,  
Hong Kong

**CSC Securities (HK) Limited**

Units 3204-07, 32/F,  
Cosco Tower, Grand Millennium Plaza,  
183 Queen's Road Central,  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**Fulbright Securities Limited**

33/F, Cosco Tower Grand Millennium Plaza,  
183 Queen's Road Central,  
Hong Kong

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	<b>Branch name</b>	<b>Address</b>
<b>Hong Kong Island</b>	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
<b>Kowloon</b>	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Tsimshatsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
<b>New Territories</b>	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Friday, 6 July 2018, from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED – PROSPEROUS INDUSTRIAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Friday, 29 June 2018
- 9:00 a.m. to 1:00 p.m., Saturday, 30 June 2018
- 9:00 a.m. to 5:00 p.m., Tuesday, 3 July 2018
- 9:00 a.m. to 5:00 p.m., Wednesday, 4 July 2018
- 9:00 a.m. to 5:00 p.m., Thursday, 5 July 2018
- 9:00 a.m. to 12:00 noon, Friday, 6 July 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 July 2018, the last application day or such later time as described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the applications lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form 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 Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the 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;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto 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 chosen 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;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (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 Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HKeIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the paragraph headed “2. Who can apply”, 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](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at [www.hkeipo.hk](http://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](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 June 2018 until 11:30 a.m. on Friday, 6 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 6 July 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

### **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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 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).

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service 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 this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch 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;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (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 **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - **confirm** that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - **agree** that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
  - **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
  - **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the 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 Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the 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.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- 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;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong 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 Hong Kong 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 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.,<sup>(Note)</sup> Friday, 29 June 2018
- 8:00 a.m. to 1:00 p.m.,<sup>(Note)</sup> Saturday, 30 June 2018
- 8:00 a.m. to 8:30 p.m.,<sup>(Note)</sup> Tuesday, 3 July 2018
- 8:00 a.m. to 8:30 p.m.,<sup>(Note)</sup> Wednesday, 4 July 2018
- 8:00 a.m. to 8:30 p.m.,<sup>(Note)</sup> Thursday, 5 July 2018
- 8:00 a.m.<sup>(Note)</sup> to 12:00 noon, Friday, 6 July 2018

*Note:* 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 Friday, 29 June 2018 until 12:00 noon on Friday, 6 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 July 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

### 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**

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**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 Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. 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 by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant 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/CASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 6 July 2018.

## **8. 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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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).

### 9. 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.

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 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://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, please refer to “**Structure and Conditions of the Global Offering – Pricing and allocation**” in this prospectus.

### 10. 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 Friday, 6 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the application lists do not open and close on Friday, 6 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. 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 Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 12 July 2018 on our Company’s website at **www.pihl.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering 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.pihl.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 12 July 2018;
- 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 Thursday, 12 July 2018 to 12:00 midnight on Wednesday, 18 July 2018;
- by telephone enquiry line by calling +852 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 12 July 2018 to Tuesday, 17 July 2018 (on a Business Day);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 12 July 2018 to Monday, 16 July 2018 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “**Structure and Conditions 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.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions to HKSCC or to 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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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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.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, 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;
- 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;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.25 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “**Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering**” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 12 July 2018.

### 14. 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 Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- 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).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 12 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch 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 Thursday, 12 July 2018 or such other date as announced by us.

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 Branch 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 or before Thursday, 12 July 2018, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 12 July 2018, 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 Thursday, 12 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- *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 Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 12 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

**(iii) If you apply 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 Branch 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 Thursday, 12 July 2018, or such other date as announced by our Company 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 or before Thursday, 12 July 2018 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 Thursday, 12 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results"

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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above on Thursday, 12 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 12 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 12 July 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 12 July 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional 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 incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

The Directors  
Prosperous Industrial (Holdings) Limited  
WAG Worldsec Corporate Finance Limited

Dear Sirs,

We report on the historical financial information of Prosperous Industrial (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-54, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-54 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2018 (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”).

#### **Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants’ responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### *Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### *Dividends*

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

29 June 2018

## I. HISTORICAL FINANCIAL INFORMATION

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in the United States dollar ("US\$" or "US dollar") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
REVENUE	5	225,342	220,457	258,498
Cost of sales		<u>(173,182)</u>	<u>(165,329)</u>	<u>(195,683)</u>
Gross profit		52,160	55,128	62,815
Other income and gains, net	5	2,236	2,826	2,211
Selling and distribution expenses		(14,856)	(13,510)	(14,914)
Administrative expenses		(18,705)	(19,162)	(23,530)
Other expenses, net		(3,299)	(2,711)	(952)
Finance costs	6	<u>(79)</u>	<u>(36)</u>	<u>–</u>
PROFIT BEFORE TAX	7	17,457	22,535	25,630
Income tax	10	<u>(3,639)</u>	<u>(3,940)</u>	<u>(4,548)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		<u>13,818</u>	<u>18,595</u>	<u>21,082</u>



	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods – Exchange differences on translation of foreign operations		<u>(2,312)</u>	<u>(1,655)</u>	<u>2,209</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan:				
Actuarial gain/(loss)	29(a)	(49)	373	(172)
Income tax effect	28	<u>8</u>	<u>(63)</u>	<u>29</u>
		<u>(41)</u>	<u>310</u>	<u>(143)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX				
		<u>(2,353)</u>	<u>(1,345)</u>	<u>2,066</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
		<u>11,465</u>	<u>17,250</u>	<u>23,148</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
	12			
Basic and diluted (US cent)		<u>1.77</u>	<u>2.38</u>	<u>2.70</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December		2017 US\$'000
		2015 US\$'000	2016 US\$'000	
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	35,916	36,752	36,438
Prepaid land lease payments	14	3,710	3,413	3,478
Intangible assets	15	884	888	874
Available-for-sale investment	17	2	2	2
Prepayments, deposits and other receivables	20	5,052	2,575	3,540
Deferred tax assets	28	<u>239</u>	<u>258</u>	<u>195</u>
Total non-current assets		<u>45,803</u>	<u>43,888</u>	<u>44,527</u>
<b>CURRENT ASSETS</b>				
Prepaid land lease payments	14	111	105	110
Inventories	18	31,719	32,400	33,132
Trade and bills receivables	19	38,249	44,550	44,360
Prepayments, deposits and other receivables	20	5,475	5,688	6,491
Equity investments at fair value through profit or loss	21	105	–	–
Pledged bank deposits	22	3,603	658	–
Cash and cash equivalents	22	<u>40,350</u>	<u>45,061</u>	<u>71,321</u>
Total current assets		<u>119,612</u>	<u>128,462</u>	<u>155,414</u>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables	23	20,640	22,900	23,347
Other payables and accruals	24	19,330	19,020	23,207
Due to a director	25	1,613	3,211	–
Dividend payable		–	–	35,000
Income tax payables		3,451	6,208	8,958
Bank borrowings	26	6,000	–	–
Derivative financial instruments	27	<u>252</u>	<u>–</u>	<u>–</u>
Total current liabilities		<u>51,286</u>	<u>51,339</u>	<u>90,512</u>
<b>NET CURRENT ASSETS</b>		<u>68,326</u>	<u>77,123</u>	<u>64,902</u>

		At 31 December		
	Notes	2015	2016	2017
		US\$'000	US\$'000	US\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>114,129</u>	<u>121,011</u>	<u>109,429</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	28	19	–	–
Defined benefit obligations	29	<u>1,183</u>	<u>834</u>	<u>1,104</u>
Total non-current liabilities		<u>1,202</u>	<u>834</u>	<u>1,104</u>
Net assets		<u><u>112,927</u></u>	<u><u>120,177</u></u>	<u><u>108,325</u></u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Issued capital	30	1,000	1,000	1,000
Reserves	31(a)(i)	<u>111,927</u>	<u>119,177</u>	<u>107,325</u>
Total equity		<u><u>112,927</u></u>	<u><u>120,177</u></u>	<u><u>108,325</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital US\$'000	Capital reserve US\$'000 (note31 (a)(ii))	Statutory reserves US\$'000 (note31 (a)(iii))	Defined benefit plan reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
<b>Year ended 31 December 2015</b>							
At 1 January 2015	1,000	19,052	222	-	3,831	87,357	111,462
Profit for the year	-	-	-	-	-	13,818	13,818
Other comprehensive loss for the year:							
- Exchange differences on translation of foreign operations	-	-	-	-	(2,312)	-	(2,312)
- Actuarial loss of a defined benefit plan, net of income tax	-	-	-	(41)	-	-	(41)
Total comprehensive income/ (loss) for the year	-	-	-	(41)	(2,312)	13,818	11,465
Final 2014 dividend	-	-	-	-	-	(10,000)	(10,000)
Transfer to statutory reserves	-	-	18	-	-	(18)	-
At 31 December 2015	<u>1,000</u>	<u>19,052*</u>	<u>240*</u>	<u>(41)*</u>	<u>1,519*</u>	<u>91,157*</u>	<u>112,927</u>
<b>Year ended 31 December 2016</b>							
At 1 January 2016	1,000	19,052	240	(41)	1,519	91,157	112,927
Profit for the year	-	-	-	-	-	18,595	18,595
Other comprehensive income/ (loss) for the year:							
- Exchange differences on translation of foreign operations	-	-	-	-	(1,655)	-	(1,655)
- Actuarial gain of a defined benefit plan, net of income tax	-	-	-	310	-	-	310
Total comprehensive income/ (loss) for the year	-	-	-	310	(1,655)	18,595	17,250
Final 2015 dividend	-	-	-	-	-	(10,000)	(10,000)
Transfer to statutory reserves	-	-	8	-	-	(8)	-
At 31 December 2016	<u>1,000</u>	<u>19,052*</u>	<u>248*</u>	<u>269*</u>	<u>(136)*</u>	<u>99,744*</u>	<u>120,177</u>

	Issued capital US\$'000	Capital reserve US\$'000 (note31 (a)(ii))	Statutory reserves US\$'000 (note31 (a)(iii))	Defined benefit plan reserve US\$'000	Exchange fluctuation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
<b>Year ended 31 December 2017</b>							
At 1 January 2017	1,000	19,052	248	269	(136)	99,744	120,177
Profit for the year	-	-	-	-	-	21,082	21,082
Other comprehensive income/ (loss) for the year:							
- Exchange differences on translation of foreign operations	-	-	-	-	2,209	-	2,209
- Actuarial loss of a defined benefit plan, net of income tax	-	-	-	(143)	-	-	(143)
Total comprehensive income/ (loss) for the year	-	-	-	(143)	2,209	21,082	23,148
Interim 2017 dividend	-	-	-	-	-	(35,000)	(35,000)
Transfer to statutory reserves	-	-	14	-	-	(14)	-
At 31 December 2017	<u>1,000</u>	<u>19,052*</u>	<u>262*</u>	<u>126*</u>	<u>2,073*</u>	<u>85,812*</u>	<u>108,325</u>

\* These reserve accounts comprise the consolidated reserves of US\$111,927,000, US\$119,177,000 and US\$107,325,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		17,457	22,535	25,630
Adjustments for:				
Interest income	5	(576)	(657)	(521)
Finance costs		79	36	–
Depreciation	7	4,872	4,737	4,368
Amortisation of prepaid land lease payments	7	116	108	106
Amortisation of intangible assets	7	188	218	239
Dividend income from equity investments at fair value through profit or loss	5	(1)	(7)	–
Loss on disposal of items of property, plant and equipment, net	7	52	108	123
Fair value loss/(gain) of equity investments at fair value through profit or loss, net	7	33	(36)	–
Fair value loss of derivative financial instruments, net	7	152	13	–
Impairment/(reversal of impairment) of trade and bills receivables	7	–	60	(22)
Write-off of obsolete inventories	7	64	636	325
		22,436	27,751	30,248
Increase in inventories		(1,763)	(1,339)	(1,052)
Decrease/(increase) in trade and bills receivables		(2,327)	(6,324)	270
Decrease/(increase) in prepayments, deposits and other receivables		(822)	1,523	(1,978)
Increase/(decrease) in trade and bills payables		(979)	2,332	460
Increase/(decrease) in other payables and accruals		(396)	(306)	4,174
Increase/(decrease) in defined benefit obligations		(20)	24	4
Cash generated from operations		16,129	23,661	32,126
Income tax paid		(813)	(1,282)	(1,688)
Net cash flows from operating activities		15,316	22,379	30,438

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received		1	7	–
Purchases of items of property, plant and equipment		(6,151)	(6,346)	(2,947)
Proceeds from disposal of items of property, plant and equipment		118	67	160
Additions to intangible assets		(266)	(241)	(210)
Decrease in equity investment at fair value through profit or loss		13	141	–
Acquisition of a subsidiary	32	(477)	–	–
Gross increase in time deposits with maturity of more than three months when acquired		(520)	(7,445)	–
Gross decrease in time deposits with maturity of more than three months when acquired		127	2,713	8,102
Gross increase in pledged bank deposits relating to investing activities		(526)	–	–
Gross decrease in pledged bank deposits relating to investing activities		–	401	658
Settlement of derivative financial instruments		(219)	(265)	–
Interest received		576	657	521
Net cash flows from/(used in) investing activities		<u>(7,324)</u>	<u>(10,311)</u>	<u>6,284</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Gross increase in pledged bank deposits relating to financing activities		(2,544)	–	–
Gross decrease in pledged bank deposits relating to financing activities		–	2,544	–
Advance from a director	33	1,613	1,613	–
Repayment to a director	33	–	(15)	(3,211)
New bank loans	33	20,000	13,000	–
Repayment of bank loans	33	(15,173)	(19,000)	–
Interest paid		(79)	(36)	–
Dividend paid		(10,000)	(10,000)	–
Net cash flows used in financing activities		<u>(6,183)</u>	<u>(11,894)</u>	<u>(3,211)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of year		1,809	174	33,511
Effect of foreign exchange rate changes, net		35,383	36,980	36,959
		<u>(212)</u>	<u>(195)</u>	<u>851</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		<u>36,980</u>	<u>36,959</u>	<u>71,321</u>



	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances other than time deposits	22	24,740	33,501	59,990
Time deposits	22	<u>19,213</u>	<u>12,218</u>	<u>11,331</u>
Total cash and bank balances		43,953	45,719	71,321
Less: Pledged bank deposits	22	<u>(3,603)</u>	<u>(658)</u>	<u>–</u>
Cash and cash equivalents as stated in the consolidated statements of financial position		40,350	45,061	71,321
Less: Time deposits with maturity of more than three months when acquired		<u>(3,370)</u>	<u>(8,102)</u>	<u>–</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u><u>36,980</u></u>	<u><u>36,959</u></u>	<u><u>71,321</u></u>

## STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
<b>NON-CURRENT ASSETS</b>				
Investments in subsidiaries	16	<u>1,373</u>	<u>14,164</u>	<u>14,114</u>
<b>CURRENT ASSETS</b>				
Prepayments, deposits and other receivables	20	17	15	17
Due from subsidiaries	16	27,763	41,380	79,229
Cash and cash equivalents	22	<u>55</u>	<u>258</u>	<u>2,651</u>
Total current assets		<u>27,835</u>	<u>41,653</u>	<u>81,897</u>
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	24	137	62	2,992
Dividend payable		<u>–</u>	<u>–</u>	<u>35,000</u>
Total current liabilities		<u>137</u>	<u>62</u>	<u>37,992</u>
<b>NET CURRENT ASSETS</b>		<u>27,698</u>	<u>41,591</u>	<u>43,905</u>
Net assets		<u>29,071</u>	<u>55,755</u>	<u>58,019</u>
<b>EQUITY</b>				
Issued capital	30	1,000	1,000	1,000
Retained profits	31(b)	<u>28,071</u>	<u>54,755</u>	<u>57,019</u>
Total equity		<u>29,071</u>	<u>55,755</u>	<u>58,019</u>

## NOTES TO HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company is located at Unit 1-2, 1/F, Join-In Hang Sing Centre, 71-75 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Group was principally involved in the manufacturing and sale of sports bags, handbags and luggage bags.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Prosperous Holdings (Overseas) Limited, which is incorporated in the British Virgin Islands (the "BVI").

As the end of each of the Relevant Periods, the Company had direct and indirect interests in its principal subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Issued and paid-up/registered capital as at the date of this report	Percentage of equity attributable to the Company			Principal activities
			At 31 December			
			2015	2016	2017	
Prosperous International Limited ( <i>note (a)</i> )	Hong Kong 21 June 1994	HK\$10,000	100%	100%	100%	Trading of sport bags, handbags and luggage bags
Starite International Limited ( <i>note (a)</i> )	Hong Kong 23 December 1992	HK\$10,000	100%	100%	100%	Trading of sport bags, handbags and luggage bags
RGL International Macao Commercial Offshore Limited* ("RGL International") ( <i>note (b)</i> )	Macau 2 August 2002	MOP100,000	100%	100%	100%	Trading of sport bags, handbags and luggage bags
Glorieux International (H.K.) Limited ( <i>note (a)</i> )	Hong Kong 5 May 2004	HK\$1	100%	100%	100%	Trading of sport bags, handbags and luggage bags
Glorieux International Limited ( <i>note (g)</i> )	BVI/Hong Kong 21 April 2004	US\$1	100%	100%	100%	Trading of sport bags, handbags and luggage bags, and provision of raw material sourcing services
廣州宏其泰貿易有限公司 <sup>^</sup> ( <i>note (c)</i> )	People's Republic of China ("PRC")/ Mainland China 10 February 2014	US\$2,000,000	100%	100%	N/A	Trading of sport bags, handbags and luggage bags

Company name	Place and date of incorporation/ registration and place of operations	Issued and paid-up/registered capital as at the date of this report	Percentage of equity attributable to the Company			Principal activities
			At 31 December			
			2015	2016	2017	
廣州澤榮旅行用品有限公司 (note (c))	PRC/Mainland China 5 March 2004	HK\$92,000,000	100%	100%	100%	Bag product development and design
Starite International Vietnam Limited (note (d))	Vietnam 2 January 2008	US\$2,500,000	100%	100%	100%	Manufacturing and sale of sport bags, handbags and luggage bags
廣州坑頭手袋旅行用品有限公司 (note (c))	PRC/Mainland China 25 March 2015	US\$2,000,000	100%	100%	100%	Manufacturing and sale of sport bags, handbags and luggage bags
東莞澤榮箱包有限公司 (note (c))	PRC/Mainland China 19 March 1996	HK\$27,000,000	100%	100%	100%	Manufacturing and sale of sport bags, handbags and luggage bags
東莞精博旅行用品有限公司 (note (c))	PRC/Mainland China 7 December 2004	HK\$10,000,000	100%	100%	100%	Manufacturing and sale of sport bags, handbags and luggage bags
Starite (Cambodia) Co., Ltd <sup>@</sup> (note (f))	Cambodia 7 November 2017	US\$5,000,000	N/A	N/A	100%	Manufacturing and sale of sport bags, handbags and luggage bags
Prosperous Enterprises (Taiwan) Limited (“PEL”) (note (e))	Taiwan 16 September 1970	NTD30,000,000	100%	100%	100%	Provision of raw material sourcing services and retail sale of sport bags, handbags and luggage bags
Winsum International Limited (note (g))	BVI/Hong Kong 20 July 2007	US\$1	100%	100%	100%	Provision of raw material sourcing services
廣州澤保貿易有限公司 (note (c))	PRC/Mainland China 15 January 2013	US\$1,000,000	100%	100%	100%	Provision of raw material sourcing services
PT. Glorieux International Indonesia <sup>#</sup> (note (f))	Indonesia 16 March 2016	US\$8,000,000	N/A	100%	100%	Dormant

\* Acquired during the year ended 31 December 2015.

^ Deregistered during the year ended 31 December 2017.

@ Incorporated during the year ended 31 December 2017.

# Incorporated during the year ended 31 December 2016.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group as at the end of each of the Relevant Periods. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

- (a) The statutory financial statements of these entities for the year ended 31 December 2015, prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong, and their statutory financial statements for the year ended 31 December 2016, prepared under HKFRSs, were audited by Ernst & Young, certified public accountants registered in Hong Kong. The statutory financial statements of these entities for the year ended 31 December 2017 have not been issued as at the date of this report.
- (b) The statutory financial statements of this entity for the year ended 31 March 2016, prepared in accordance with Financial Reporting Standards promulgated by Macao Special Administrative Region (“Macao Financial Reporting Standards”), were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Macau, and its statutory financial statements for the period from 1 April 2016 to 31 December 2016 and for the year ended 31 December 2017, prepared in accordance with Macao Financial Reporting Standards, were audited by Ernst & Young, certified public accountants registered in Macau.
- (c) These entities are registered as wholly-foreign-owned enterprises under PRC law. Their statutory financial statements for the years ended 31 December 2015, 2016 and 2017, prepared in accordance with the relevant accounting principles applicable to enterprises established in Mainland China, were audited by Guangdong Pan-China Certified Public Accountants, Guangdong Huijian Certified Public Accountants Co., Ltd, Guangzhou Yuehe Certified Public Accountants or Guangzhou Yeqin Certified Public Accountants, certified public accountants registered in the PRC.
- (d) The statutory financial statements of this entity for the years ended 31 December 2015, 2016 and 2017 prepared under Vietnamese Accounting Standards were audited by Deloitte Vietnam Company Limited, certified public accountants registered in Vietnam.
- (e) The statutory financial statements of this entity for the years ended 31 December 2015, 2016 and 2017, prepared in accordance with Taiwan Generally Accepted Accounting Principles, were audited by Deloitte & Touche, certified public accountants registered in Taiwan.
- (f) No audited financial statements have been prepared for these entities since their dates of incorporation as they fulfilled the criteria for exemption from statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (g) No audited financial statements have been prepared for these entities for each of the Relevant Periods, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

## 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Historical Financial Information has been prepared under the historical cost convention, except for (i) equity investments at fair value through profit or loss and derivative financial instruments which have been measured at fair value; and (ii) defined benefit obligations which have been measured in accordance with the accounting policy for “Defined benefit plan” set out in note 2.3 below. The Historical Financial Information is presented in the US dollar and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>2</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

- (a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

*(i) Classification and measurement*

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available-for-sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

*(ii) Impairment*

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

In general, the directors of the Company anticipate the application of the expected loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group, which however is not expected to result in a significant impact on the Group's financial position and results of operations.

- (b) HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018 and plans to adopt the full retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group was principally involved in the manufacturing and sale of sports bags, handbags and luggage bags. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:



*Timing of revenue recognition*

The Group's accounting policy for "Revenue recognition" is set out in note 2.3 to the Historical Financial Information. Currently, revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Upon the adoption of HKFRS 15, revenue from the sale of goods will be recognised when control over the goods is transferred to the buyer. Judgement will be required to assess whether control transfers over time or at a point of time. For the goods that have no alternative use to the Group due to contractual restriction and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue as the performance obligations are satisfied over time by applying an input method for measuring progress.

The Group has assessed that, based on the terms of the sale agreements entered into between the Group and major customers, the Group does not have an enforceable right to payment for performance completed to date. Accordingly, the criteria set out in HKFRS15 for recognising revenue over time are not met for the majority of the sale of goods. The Group expects to recognise majority of the sale of goods until the point in time at which the Group delivers the goods to the customers. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognised in the Relevant Periods, the financial position and results of operations of the Group.

- (c) HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 34(b) to the Historical Financial Information, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately US\$6,359,000. Based on the preliminary impact assessment of the adoption of HKFRS16 performed by the Group, the directors do not expect the adoption of HKFRS16 would result in a significant impact on the Group's financial performance but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

- (d) HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Historical Financial Information.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or a joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

**Fair value measurement**

The Group measures its defined benefit obligations, equity investments at fair value through profit or loss and derivative financial instruments at the end of each of the Relevant Periods. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Freehold land	Not depreciated
Leasehold land	Over the lease terms
Buildings	20 to 42 years, or over the lease terms of the relevant land, whichever is the shorter
Leasehold improvements	Over the lease terms or 4 to 10 years, whichever is the shorter
Machinery and equipment	4 to 10 years
Furniture and fixtures	4 to 10 years
Motor vehicles	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold properties/buildings and other property, plant and equipment under construction, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets of the Group are assessed to be either finite or indefinite.

Intangible assets with finite lives include computer software, and are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The estimated useful lives of intangible assets with finite lives for the purpose of amortisation are as follows:

Computer software	3 to 8 years
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Intangible assets with indefinite useful lives include a licence and a club membership and are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

**Financial instruments**

The Group classifies its financial instruments into the following categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. Regular way purchases and sales of the financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

**(a) Financial assets at fair value through profit or loss**

A financial asset is classified in this category if it is held for trading, or upon initial recognition, the asset is designated as at fair value through profit or loss and it meets any of the following criteria: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial asset or recognising the gains and losses on it on a different basis; or (ii) the asset is part of a group of financial assets that are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would be separately recorded.

Financial assets so designated are recognised initially at fair value, with transaction costs taken directly to profit or loss, and are subsequently remeasured at fair value. This designation, once made, is irrevocable in respect of the financial asset to which it is made.

Gains and losses from changes in the fair value of such financial assets are recognised in profit or loss as they arise, together with the related interest income and expenses and dividends.

**(b) *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances.

The Group recognises losses for impaired loans promptly where there is objective evidence that impairment of a loan or a portfolio of loans has occurred. Impairment allowances are assessed either individually for individually significant loans or collectively for loan portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

**(c) *Available-for-sale investment***

Available-for-sale investment of the Group is a non-derivative financial asset in an unlisted equity security. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

The Group's available-for-sale investment is stated at cost less any impairment losses because its fair value cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value.

If there is objective evidence that an impairment loss has been incurred on such unquoted equity investment, the amount of the loss to be recognised in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**(d) *Derivative financial instruments***

The Group uses derivative financial instruments, such as forward currency contracts, to manage its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets (financial assets at fair value through profit or loss) when the fair value is positive and as liabilities (financial liabilities at fair value through profit or loss) when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly, any gains or losses arising from changes in fair value are taken directly to profit or loss.

**(e) *Other financial liabilities***

Other financial liabilities include bank and other borrowings, trade payables, accruals and other monetary liabilities. All other financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis or other valuation models.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Government grants**

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;
- (c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income and compensation income, when the right to receive payment has been established.

**Contracts for services**

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

**Employee benefits*****Defined contribution plans***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China, Vietnam and Macau are required to participate in central pension schemes or social security schemes operated by local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes and social security schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution retirement benefit scheme under the Labour Pension Act of Taiwan for its employees recruited on and subsequent to 1 July 2005 by the Group's subsidiary in Taiwan. Based on the Labour Pension Act of Taiwan, the Group's monthly contribution to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labour pension accounts at the Bureau of Labour Insurance of Taiwan.

***Defined benefit plan***

The Group operates a defined benefit pension plan for certain employees of a subsidiary of the Company established in Taiwan. The plan requires contributions to be made to a separately administered fund and the benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “cost of sales” and “administrative expenses” in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

#### **Borrowing costs**

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. All borrowing costs are expensed in profit or loss in the period in which they are incurred.

#### **Dividends**

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Foreign currencies**

These financial statements are presented in the US dollar, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries are currencies other than the US dollar. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into the US dollars at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into the US dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of subsidiaries which have functional currencies other than the US dollar are translated into the US dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into the US dollars at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts and the accompanying disclosures of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the Historical Financial Information and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

#### **Useful lives and residual values of property, plant and equipment**

The Group's management determines the useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge when useful lives and residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

#### **Impairment of property, plant and equipment**

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in note 2.3 to the Historical Financial Information. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment carried as assets in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 were US\$35,916,000, US\$36,752,000 and US\$36,438,000, respectively. Details of the Group's property, plant and equipment are set out in note 13 to the Historical Financial Information.

#### **Impairment of inventories**

Impairment of inventories is made based on the assessment of net realisable value, which is the amount the inventories are expected to realise. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the Relevant Periods to the extent that such events confirm conditions existing at the end of the Relevant Periods. Significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of inventories and the amount of impairment/reversal in the periods in which such estimates have been changed.

As set out in note 7 to the Historical Financial Information, provisions against inventories of US\$64,000, US\$636,000 and US\$325,000 were recognised in profit or loss for the years ended 31 December 2015, 2016 and 2017, respectively. The net carrying amounts of inventories as at 31 December 2015, 2016 and 2017 were US\$31,719,000, US\$32,400,000, US\$33,132,000, respectively, details of which are set out in note 18 to the Historical Financial Information.

**Current tax and deferred tax**

The Group is subject to income taxes in Hong Kong, Mainland China, Vietnam and overseas. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amounts of current tax payables carried as liabilities in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 were US\$3,451,000, US\$6,208,000 and US\$8,958,000, respectively.

**4. OPERATING SEGMENT INFORMATION****Operating segment information**

No operating segment information is presented as more than 90% of the Group's revenue and reported results during each of the Relevant Periods, and more than 90% of the Group's total assets as at the end of each of the Relevant Periods were derived from one single operating segment, i.e., manufacturing and sale of sport bags, handbags and luggage bags.

**Geographical information****(a) Revenue from external customers**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The United States of America (the "USA")	109,778	108,563	115,396
Mainland China	34,388	25,293	40,875
Netherlands	16,259	10,253	31,371
Japan	12,021	15,362	15,631
Hong Kong	6,696	5,464	8,058
Others	<u>46,200</u>	<u>55,522</u>	<u>47,167</u>
	<u><u>225,342</u></u>	<u><u>220,457</u></u>	<u><u>258,498</u></u>

The revenue information above is based on the destination of goods delivered, irrespective of the origin of the goods.

**(b) Non-current assets**

	<b>At 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Mainland China	23,413	21,832	21,256
Vietnam	16,385	15,795	15,243
Taiwan	3,546	3,567	4,032
Others	<u>547</u>	<u>875</u>	<u>2,161</u>
	<u><u>43,891</u></u>	<u><u>42,069</u></u>	<u><u>42,692</u></u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

During the years ended 31 December 2015, 2016 and 2017, the Group had transactions with four, three and three external customers which individually contributed over 10% of the Group's total revenue for the relevant years. The revenue generated from sales to each of these customers is set out below:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Customer A	45,612	55,682	70,286
Customer B	34,858	31,923	38,198
Customer C	34,381	42,049	45,574
Customer D	<u>22,814</u>	<u>N/A*</u>	<u>N/A*</u>

\* The corresponding revenue of these customers is not disclosed as they did not contribute over 10% of the Group's total revenue for the relevant year(s).

**5. REVENUE, OTHER INCOME AND GAINS, NET**

Revenue represents the aggregate of the invoiced value of goods sold, after allowances for returns and trade discounts, and net of value-added tax and government surcharges.

An analysis of the Group's other income and gains, net is as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
<b>Other income</b>			
Bank interest income	576	657	521
Dividend income from equity investments at fair value through profit or loss	1	7	–
Government grants*	189	208	267
Compensation income	44	11	46
Charges levied on customers	465	857	748
Others	<u>385</u>	<u>426</u>	<u>274</u>
	<u>1,660</u>	<u>2,166</u>	<u>1,856</u>
<b>Gains, net</b>			
Fair value gain of equity investments at fair value through profit or loss, net	–	36	–
Foreign exchange differences, net	–	–	160
Gain on sale of scrap materials	<u>576</u>	<u>624</u>	<u>195</u>
	<u>576</u>	<u>660</u>	<u>355</u>
Other income and gains, net	<u>2,236</u>	<u>2,826</u>	<u>2,211</u>

\* Subsidies are received by a subsidiary from various government authorities in Mainland China for the development of its business. The subsidies are interest-free and become unconditional during the Relevant Periods and recognised as "Other income" in profit or loss.

**6. FINANCE COSTS**

Finance costs during each of the Relevant Periods represent interest on bank loans.

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
Cost of inventories sold		169,925	162,274	192,654
Depreciation	13	4,872	4,737	4,368
Less: Amount included in cost of inventories sold		<u>(3,212)</u>	<u>(3,008)</u>	<u>(2,978)</u>
		<u>1,660</u>	<u>1,729</u>	<u>1,390</u>
Amortisation of prepaid land lease payments	14	116	108	106
Amortisation of intangible assets*	15	188	218	239
Minimum lease payments under operating leases		3,304	2,974	2,744
Employee benefit expense (including directors' remuneration – note 8):				
Salaries, allowances and benefits in kind		55,779	54,862	61,879
Defined contribution scheme contributions		2,241	2,205	3,190
Net benefit expense/(credit) of a defined benefit plan	29(a)	<u>(46)</u>	<u>29</u>	<u>20</u>
		<u>57,974</u>	<u>57,096</u>	<u>65,089</u>
Foreign exchange differences, net		1,673**	439**	(160)
Research and development costs		2,878	3,150	3,335
Loss on subcontracting services**		986	1,449	350
Write-off of obsolete inventories		64	636	325
Impairment/(reversal of impairment) of trade receivables**	19(c)	–	60	(22)
Loss on disposal of items of property, plant and equipment, net**		52	108	123
Fair value loss/(gain) of equity investments at fair value through profit or loss, net		33*	(36)	–
Fair value loss of derivative financial instruments, net**		<u>152</u>	<u>13</u>	<u>–</u>

\* The amortisation of intangible assets are included in the following line items on the face of the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Cost of sales	45	47	51
Selling and distribution expenses	1	24	25
Administrative expenses	<u>142</u>	<u>147</u>	<u>163</u>
	<u>188</u>	<u>218</u>	<u>239</u>

\*\* These amounts are included in "Other expenses, net" on the face of the consolidated statements of profit or loss and other comprehensive income.



## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	705	703	446
Discretionary and performance related bonus	–	–	627
Defined contribution scheme contributions	–	–	11
	<u>705</u>	<u>703</u>	<u>1,084</u>
Total directors' remuneration	<u>705</u>	<u>703</u>	<u>1,084</u>

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Discretionary and performance related bonus US\$'000	Defined contribution scheme contributions US\$'000	Total US\$'000
<b>Year ended 31 December 2015</b>					
Mr. Yeung Ming Sum	–	251	–	–	251
Ms. Yeung Wor Foon	–	231	–	–	231
Mr. Yeung Shu Kin	–	223	–	–	223
Mr. Lu Chin Chu	–	–	–	–	–
Mr. Tsai Nai Yung	–	–	–	–	–
	<u>–</u>	<u>705</u>	<u>–</u>	<u>–</u>	<u>705</u>
<b>Year ended 31 December 2016</b>					
Mr. Yeung Ming Sum	–	250	–	–	250
Ms. Yeung Wor Foon	–	230	–	–	230
Mr. Yeung Shu Kin	–	223	–	–	223
Mr. Lu Chin Chu	–	–	–	–	–
Mr. Tsai Nai Yung	–	–	–	–	–
	<u>–</u>	<u>703</u>	<u>–</u>	<u>–</u>	<u>703</u>
<b>Year ended 31 December 2017</b>					
Mr. Yeung Ming Sum ^	–	42	–	–	42
Ms. Yeung Wor Foon ^	–	72	–	–	72
Mr. Yeung Shu Kin	–	228	187	–	415
Mr. Lu Chin Chu	–	–	65	–	65
Mr. Tsai Nai Yung	–	–	65	–	65
Mr. Yeung Shu Kai *	–	70	187	8	265
Mr. Duong Stephen Dien Sieu *	–	34	123	3	160
	<u>–</u>	<u>446</u>	<u>627</u>	<u>11</u>	<u>1,084</u>

^ Resigned on 1 August 2017

\* Appointed on 1 August 2017

*Notes:*

- (a) The remuneration of the directors disclosed above only included their remuneration during the period when they are holding the office as directors of the Company.
- (b) There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees for the years ended 31 December 2015, 2016 and 2017 included three, three and one directors of the Company, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two, two and four non-director highest paid employees during the Relevant Periods are as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Salaries, allowances and benefits in kind	302	300	244
Discretionary and performance related bonuses	–	–	2,386
Defined contribution scheme contributions	7	7	–
	<u>309</u>	<u>307</u>	<u>2,630</u>

The number of the non-director highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
HK\$1,000,001 to HK\$1,500,000	2	2	–
HK\$2,500,001 to HK\$3,000,000	–	–	1
HK\$5,000,001 to HK\$5,500,000	–	–	2
HK\$6,500,001 to HK\$7,000,000	–	–	1
	<u>2</u>	<u>2</u>	<u>4</u>

The four non-director highest paid employees during the year ended 31 December 2017 included two employees who resigned as directors of the Company during the same year and the remuneration disclosed above does not include the remuneration paid and payable to them when they held the office of directors of the Company during the year ended 31 December 2017.

**10. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The Group's subsidiary in Macau is exempt from Macau profit tax under the relevant law and regulations in Macau.

The corporate income tax rate in Vietnam is 22%, 20% and 20% during the years ended 31 December 2015, 2016 and 2017, respectively. In accordance with the relevant tax rules and regulations in Vietnam, the Group's subsidiary in Vietnam enjoys a concessionary corporate income tax rate of 7.5% for certain of its assessable income during the Relevant Periods.

The income tax provisions in respect of operations in Mainland China and elsewhere are calculated at the applicable tax rates on the estimated assessable profits for the Relevant Periods based on the prevailing legislation, interpretations and practices in respect thereof.

An analysis of the Group's income tax is as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Current:			
Hong Kong:			
Charge for the year	2,971	3,086	2,495
Underprovision/(overprovision) in prior years	2	(10)	–
Mainland China:			
Charge for the year	480	463	1,191
Overprovision in prior years	–	(32)	42
Elsewhere:			
Charge for the year	159	249	656
Underprovision in prior years	–	235	19
Withholding tax on undistributed profits	16	7	13
Withholding tax on interest income from intercompany loans	31	41	22
	3,659	4,039	4,438
Deferred tax (note 28)	(20)	(99)	110
Total tax expense for the year	<u>3,639</u>	<u>3,940</u>	<u>4,548</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Profit before tax	<u>17,457</u>	<u>22,535</u>	<u>25,630</u>
Tax expense at the statutory tax rates	3,192	3,586	4,140
Adjustments in respect of current tax of previous periods	2	193	61
Effect of corporate income tax rebate	(8)	(5)	(8)
Lower concessionary tax rates enacted by local authorities	(182)	(213)	(641)
Withholding tax on undistributed profits	16	7	13
Withholding tax on interest income from intercompany loans	31	41	22
Income not subject to tax	(230)	(154)	(169)
Expenses not deductible for tax	521	123	1,155
Tax effect of unrecognised temporary differences	19	(20)	11
Tax losses not recognised as deferred tax assets	278	382	172
Tax losses utilised from previous periods	–	–	(208)
Tax expense at the Group's effective tax rates of 20.8%, 17.5% and 17.7% for the years ended 31 December 2015, 2016 and 2017, respectively	<u>3,639</u>	<u>3,940</u>	<u>4,548</u>

## 11. DIVIDENDS

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Interim – 2015: Nil, 2016: Nil and 2017: US\$35 per ordinary share	–	–	35,000
Proposed final – 2015: US\$10, 2016: Nil and 2017: Nil per ordinary share	10,000	–	–
	<u>10,000</u>	<u>–</u>	<u>–</u>
	<u>10,000</u>	<u>–</u>	<u>35,000</u>

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company of US\$13,818,000, US\$18,595,000 and US\$21,082,000 for the years ended 31 December 2015, 2016 and 2017, respectively, and the weighted average number of 780,000,000 ordinary shares during each of the Relevant Periods, as if the change in issued number of ordinary shares of the Company subsequent to the Relevant Periods on 19 June 2018, as disclosed in note 39 to the Historical Financial Information, had been completed on the earliest date presented in the Historical Financial Information (i.e., 1 January 2015).

No adjustment has been made to the basic earnings per share amounts presented for each of the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

	Freehold land US\$'000	Leasehold land and buildings US\$'000 (Note)	Leasehold improvements US\$'000	Machinery and equipment US\$'000	Furniture and fixtures US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
<b>Year ended 31 December 2015</b>								
At 1 January 2015:								
Cost	2,163	16,418	11,791	16,334	6,343	1,140	3,161	57,350
Accumulated depreciation	–	(1,500)	(4,961)	(9,284)	(4,453)	(534)	–	(20,732)
Net carrying amount	<u>2,163</u>	<u>14,918</u>	<u>6,830</u>	<u>7,050</u>	<u>1,890</u>	<u>606</u>	<u>3,161</u>	<u>36,618</u>
Net carrying amount:								
At 1 January 2015	2,163	14,918	6,830	7,050	1,890	606	3,161	36,618
Additions	–	492	953	1,921	1,101	325	1,359	6,151
Transfer from construction in progress	–	4,087	390	–	–	–	(4,477)	–
Depreciation provided during the year	–	(548)	(1,077)	(2,007)	(1,125)	(115)	–	(4,872)
Disposals	–	(35)	(21)	(36)	(75)	(3)	–	(170)
Exchange realignment	(78)	(887)	(356)	(339)	(80)	(28)	(43)	(1,811)
At 31 December 2015	<u>2,085</u>	<u>18,027</u>	<u>6,719</u>	<u>6,589</u>	<u>1,711</u>	<u>785</u>	<u>–</u>	<u>35,916</u>
At 31 December 2015:								
Cost	2,085	19,795	12,515	17,168	6,978	1,396	–	59,937
Accumulated depreciation	–	(1,768)	(5,796)	(10,579)	(5,267)	(611)	–	(24,021)
Net carrying amount	<u>2,085</u>	<u>18,027</u>	<u>6,719</u>	<u>6,589</u>	<u>1,711</u>	<u>785</u>	<u>–</u>	<u>35,916</u>
<b>Year ended 31 December 2016</b>								
At 1 January 2016:								
Cost	2,085	19,795	12,515	17,168	6,978	1,396	–	59,937
Accumulated depreciation	–	(1,768)	(5,796)	(10,579)	(5,267)	(611)	–	(24,021)
Net carrying amount	<u>2,085</u>	<u>18,027</u>	<u>6,719</u>	<u>6,589</u>	<u>1,711</u>	<u>785</u>	<u>–</u>	<u>35,916</u>
Net carrying amount:								
At 1 January 2016	2,085	18,027	6,719	6,589	1,711	785	–	35,916
Additions	–	3,751	961	1,457	850	70	–	7,089
Depreciation provided during the year	–	(639)	(1,207)	(1,747)	(1,022)	(122)	–	(4,737)
Disposals	–	–	(51)	(63)	(27)	(34)	–	(175)
Exchange realignment	6	(751)	(277)	(245)	(55)	(19)	–	(1,341)
At 31 December 2016	<u>2,091</u>	<u>20,388</u>	<u>6,145</u>	<u>5,991</u>	<u>1,457</u>	<u>680</u>	<u>–</u>	<u>36,752</u>
At 31 December 2016:								
Cost	2,091	22,708	12,259	16,785	7,042	1,341	–	62,226
Accumulated depreciation	–	(2,320)	(6,114)	(10,794)	(5,585)	(661)	–	(25,474)
Net carrying amount	<u>2,091</u>	<u>20,388</u>	<u>6,145</u>	<u>5,991</u>	<u>1,457</u>	<u>680</u>	<u>–</u>	<u>36,752</u>

	Freehold land US\$'000	Leasehold land and buildings US\$'000 (Note)	Leasehold improvements US\$'000	Machinery and equipment US\$'000	Furniture and fixtures US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
<b>Year ended 31 December 2017</b>								
At 1 January 2017:								
Cost	2,091	22,708	12,259	16,785	7,042	1,341	-	62,226
Accumulated depreciation	-	(2,320)	(6,114)	(10,794)	(5,585)	(661)	-	(25,474)
Net carrying amount	<u>2,091</u>	<u>20,388</u>	<u>6,145</u>	<u>5,991</u>	<u>1,457</u>	<u>680</u>	<u>-</u>	<u>36,752</u>
Net carrying amount:								
At 1 January 2017	2,091	20,388	6,145	5,991	1,457	680	-	36,752
Additions	-	-	629	1,353	1,145	36	-	3,163
Depreciation provided during the year	-	(678)	(1,072)	(1,583)	(913)	(122)	-	(4,368)
Disposals	-	-	(3)	(216)	(50)	(14)	-	(283)
Exchange realignment	222	529	219	128	54	22	-	1,174
At 31 December 2017	<u>2,313</u>	<u>20,239</u>	<u>5,918</u>	<u>5,673</u>	<u>1,693</u>	<u>602</u>	<u>-</u>	<u>36,438</u>
At 31 December 2016:								
Cost	2,313	23,343	13,262	16,960	7,155	1,254	-	64,287
Accumulated depreciation	-	(3,104)	(7,344)	(11,287)	(5,462)	(652)	-	(27,849)
Net carrying amount	<u>2,313</u>	<u>20,239</u>	<u>5,918</u>	<u>5,673</u>	<u>1,693</u>	<u>602</u>	<u>-</u>	<u>36,438</u>

*Note:* The Group leased certain factory buildings and related leasehold land from a fellow subsidiary of a shareholder of the Company for production of the Group's products in Vietnam. In accordance with the lease agreements entered into between the two parties, the Group is subject to the payment of rentals, which have been settled in full by the Group as at 31 December 2016, and certain ancillary service fees (including public facility maintenance, utility and building management expenses), which shall be charged by the fellow subsidiary of that shareholder on a monthly basis. The lease period of these factory buildings and related leasehold land shall expire on 11 January 2055, which represents the end of the lease period of the leasehold land use rights owned by the fellow subsidiary of that shareholder.

In the opinion of the directors, these lease arrangements are finance leases in nature and accordingly, such factory buildings and related leasehold land are accounted for as property, plant and equipment of the Group. The amounts of additions of the assets under these finance leases included in the additions to the leasehold land and buildings during the years ended 31 December 2015 and 2016 were US\$310,000 and US\$3,696,000, respectively, and the carrying amounts of these assets included in the leasehold land and buildings as at 31 December 2015, 2016 and 2017 amounted to US\$6,796,000, US\$10,037,000 and US\$9,777,000, respectively.

#### 14. PREPAID LAND LEASE PAYMENTS

##### Group

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Carrying amount as at 1 January	4,159	3,821	3,518
Amortisation provided during the year	(116)	(108)	(106)
Exchange realignment	<u>(222)</u>	<u>(195)</u>	<u>176</u>
Carrying amount as at 31 December	3,821	3,518	3,588
Portion classified as current assets	<u>(111)</u>	<u>(105)</u>	<u>(110)</u>
Non-current portion	<u>3,710</u>	<u>3,413</u>	<u>3,478</u>

## 15. INTANGIBLE ASSETS

## Group

	Computer software US\$'000	Licence US\$'000	Total US\$'000	
<b>Year ended 31 December 2015</b>				
At 1 January 2015:				
Cost	427	–	427	
Accumulated amortisation	(92)	–	(92)	
Net carrying amount	<u>335</u>	<u>–</u>	<u>335</u>	
Net carrying amount:				
At 1 January 2015	335	–	335	
Acquisition of a subsidiary (note 32)	–	492	492	
Additions	266	–	266	
Amortisation provided during the year	(188)	–	(188)	
Exchange realignment	(21)	–	(21)	
At 31 December 2015	<u>392</u>	<u>492</u>	<u>884</u>	
At 31 December 2015:				
Cost	595	492	1,087	
Accumulated amortisation	(203)	–	(203)	
Net carrying amount	<u>392</u>	<u>492</u>	<u>884</u>	
	Computer software US\$'000	Licence US\$'000	Club membership US\$'000	Total US\$'000
<b>Year ended 31 December 2016</b>				
At 1 January 2016:				
Cost	595	492	–	1,087
Accumulated amortisation	(203)	–	–	(203)
Net carrying amount	<u>392</u>	<u>492</u>	<u>–</u>	<u>884</u>
Net carrying amount:				
At 1 January 2016	392	492	–	884
Additions	167	–	74	241
Amortisation provided during the year	(218)	–	–	(218)
Exchange realignment	(19)	–	–	(19)
At 31 December 2016	<u>322</u>	<u>492</u>	<u>74</u>	<u>888</u>
At 31 December 2016:				
Cost	726	492	74	1,292
Accumulated amortisation	(404)	–	–	(404)
Net carrying amount	<u>322</u>	<u>492</u>	<u>74</u>	<u>888</u>



	Computer software US\$'000	Licence US\$'000	Club membership US\$'000	Total US\$'000
<b>Year ended 31 December 2017</b>				
At 1 January 2017:				
Cost	726	492	74	1,292
Accumulated amortisation	<u>(404)</u>	<u>–</u>	<u>–</u>	<u>(404)</u>
Net carrying amount	<u>322</u>	<u>492</u>	<u>74</u>	<u>888</u>
Net carrying amount:				
At 1 January 2017	322	492	74	888
Additions	210	–	–	210
Amortisation provided during the year	(239)	–	–	(239)
Exchange realignment	<u>15</u>	<u>–</u>	<u>–</u>	<u>15</u>
At 31 December 2017	<u>308</u>	<u>492</u>	<u>74</u>	<u>874</u>
At 31 December 2017:				
Cost	977	492	74	1,543
Accumulated amortisation	<u>(669)</u>	<u>–</u>	<u>–</u>	<u>(669)</u>
Net carrying amount	<u>308</u>	<u>492</u>	<u>74</u>	<u>874</u>

**16. INTERESTS IN SUBSIDIARIES****Company**

	Notes	At 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
Investments in subsidiaries, included in non-current assets	(a)	1,373	14,164	14,114
Due from subsidiaries, included in current assets	(b)	<u>27,763</u>	<u>41,380</u>	<u>79,229</u>
Total interests in subsidiaries		<u>29,136</u>	<u>55,544</u>	<u>93,343</u>

*Notes:*

- (a) Particulars of the principal subsidiaries during the Relevant Periods are disclosed in note 1 to the Historical Financial Information.
- (b) The balances with subsidiaries as at the end of each of the Relevant Periods are unsecured, interest-free and have no fixed terms of repayment.

**17. AVAILABLE-FOR-SALE INVESTMENT**

The available-for-sale investment of the Group represents an investment in an unlisted entity established in Taiwan.

The unlisted equity investment is not stated at fair value but at cost less any accumulated impairment losses, because it does not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for this investment and the probabilities of the various estimates cannot be reasonably assessed.

## 18. INVENTORIES

## Group

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Raw materials	9,788	6,716	9,134
Work in progress	9,465	12,349	9,568
Finished goods	<u>12,466</u>	<u>13,335</u>	<u>14,430</u>
	<u>31,719</u>	<u>32,400</u>	<u>33,132</u>

## 19. TRADE AND BILLS RECEIVABLES

## Group

	Notes	At 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
Trade and bills receivables	(a)	38,249	44,610	44,398
Impairment	(c)	<u>–</u>	<u>(60)</u>	<u>(38)</u>
		<u>38,249</u>	<u>44,550</u>	<u>44,360</u>

## Notes:

- (a) The Group's trading terms with its customers for sale of goods are mainly on credit. The credit period is generally 15 to 105 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to certain customers with good reputation, in the opinion of the directors of the Company, there is no significant credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of impairment, is as follows:

## Group

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Within 1 month	28,264	27,039	25,729
1 to 2 months	7,067	12,765	13,974
2 to 3 months	2,450	3,429	3,370
Over 3 months	<u>468</u>	<u>1,317</u>	<u>1,287</u>
	<u>38,249</u>	<u>44,550</u>	<u>44,360</u>

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

**Group**

	<b>At 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Neither past due nor impaired	32,576	38,407	41,257
Past due but not impaired:			
Within 1 month	5,213	4,827	1,712
1 to 2 months	74	622	715
2 to 3 months	250	280	42
Over 3 months	136	414	634
	<u>38,249</u>	<u>44,550</u>	<u>44,360</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that either have a good track record with the Group or are in negotiation with the Group over the amounts or terms of repayment. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

- (b) Included in the trade and bills receivables of the Group as at 31 December 2015 and 2016 were amounts of US\$37,000 and US\$43,000, respectively, due from a fellow subsidiary of a shareholder of the Company, arising from subcontracting services provided by the Group carried out in the ordinary course of business of the Group.
- (c) The movements in provision for impairment of a trade receivable during each of the Relevant Periods are as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January	–	–	60
Impairment/(reversal of impairment) during the year recognised in profit or loss (note 7)	<u>–</u>	<u>60</u>	<u>( 22)</u>
At 31 December	<u>–</u>	<u>60</u>	<u>38</u>

Included in the provision of impairment of a trade receivable is a provision for individually impaired trade receivable of US\$60,000 and US\$38,000 for the years ended 31 December 2016 and 2017, respectively, with a carrying amount before provision of US\$60,000 and US\$38,000 as at 31 December 2016 and 2017, respectively. The individually impaired trade receivable related to a customer that was in financial difficulties and only a portion of the receivable is expected to be recovered. The Group does not hold any collateral or other credit enhancements over this balance.

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company		
	At 31 December			At 31 December		
	2015	2016	2017	2015	2016	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Prepaid rentals for land and buildings under finance leases ( <i>note</i> )	2,966	-	-	-	-	-
Other prepayments	1,088	687	1,925	17	15	17
Deposits and other receivables	<u>6,473</u>	<u>7,576</u>	<u>8,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
	10,527	8,263	10,031	17	15	17
Portion classified as current assets	<u>(5,475)</u>	<u>(5,688)</u>	<u>(6,491)</u>	<u>(17)</u>	<u>(15)</u>	<u>(17)</u>
Non-current portion	<u><u>5,052</u></u>	<u><u>2,575</u></u>	<u><u>3,540</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

*Note:* The amount as at 31 December 2015 represented rentals of a factory building and related land in Vietnam paid under a lease agreement entered into between the Group and a fellow subsidiary of a shareholder of the Company, which, in the opinion of the directors of the Company, is a finance lease in nature. The balance was transferred to property, plant and equipment during the year ended 31 December 2016 when the related assets were handed over to the Group for use.

## 21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The equity investments at fair value through profit or loss of the Group as at 31 December 2015 were listed equity investments, which were classified as held for trading and stated at their then quoted market value (Level 1 fair value measurement).

## 22. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<i>Notes</i>	Group			Company		
		At 31 December			At 31 December		
		2015	2016	2017	2015	2016	2017
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances other than time deposits		24,740	33,501	59,990	55	258	1,651
Time deposits		<u>19,213</u>	<u>12,218</u>	<u>11,331</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total cash and bank balances	(a)	43,953	45,719	71,321	55	258	2,651
Less: Pledged bank deposits	(b)	<u>(3,603)</u>	<u>(658)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents		<u><u>40,350</u></u>	<u><u>45,061</u></u>	<u><u>71,321</u></u>	<u><u>55</u></u>	<u><u>258</u></u>	<u><u>2,651</u></u>

*Notes:*

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 90 days and 12 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2015, 2016 and 2017, cash and bank balances denominated in Renminbi ("RMB") amounted to US\$26,269,000, US\$11,830,000 and US\$20,416,000, of which US\$10,480,000, US\$5,943,000 and US\$14,005,000 were kept or deposited in banks in Mainland China, respectively. The RMB is not freely convertible into other currencies in Mainland China. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

- (b) At the end of each of the Relevant Periods, certain bank deposits of the Group were pledged to banks and a summary of which is as follows:

**Group**

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Bank deposits pledged for:			
Purchases of forward currency contracts (derivative financial instruments)	1,059	658	–
Bank loan ( <i>note 26(a)</i> )	2,310	–	–
General banking facilities	234	–	–
	<u>3,603</u>	<u>658</u>	<u>–</u>
Total pledged bank deposits	<u>3,603</u>	<u>658</u>	<u>–</u>

**23. TRADE AND BILLS PAYABLES**

Trade and bills payables of the Group are unsecured, interest-free, and are normally settled on 45 to 60 days terms.

An aged analysis of the trade and bills payables of the Group as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

**Group**

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Within 1 month	17,550	19,583	18,058
1 to 2 months	1,524	1,931	3,703
2 to 3 months	884	783	854
Over 3 months	682	603	732
	<u>20,640</u>	<u>22,900</u>	<u>23,347</u>

**24. OTHER PAYABLES AND ACCRUALS**

	Group			Company		
	At 31 December			At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000	2015 US\$'000	2016 US\$'000	2017 US\$'000
Accruals	15,704	15,405	18,727	137	62	2,992
Other payables	3,071	3,404	4,110	–	–	–
Receipts in advance	555	211	370	–	–	–
	<u>19,330</u>	<u>19,020</u>	<u>23,207</u>	<u>137</u>	<u>62</u>	<u>2,992</u>

**25. DUE TO A DIRECTOR**

The balances as at 31 December 2015 and 2016 represented funds advanced from Mr. Yeung Ming Sum, a director of the Company, for the purpose of providing working capital to the Group, which were non-trade in nature, unsecured, interest-free, and had no fixed terms of repayment.

## 26. BANK BORROWINGS

## Group

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Bank loans repayable within one year:			
Unsecured	4,000	–	–
Secured	<u>2,000</u>	<u>–</u>	<u>–</u>
	<u>6,000</u>	<u>–</u>	<u>–</u>

## Notes:

- (a) The unsecured bank loans of the Group as at 31 December 2015 were guaranteed by a then director of the Company and a holding company of a shareholder of the Company.

The secured bank loan of the Group as at 31 December 2015 was secured by a time deposit amounting to US\$2,310,000 (note 22(b)) and was guaranteed by a then director of the Company and a holding company of a shareholder of the Company.

- (b) The Group's bank borrowings as at 31 December 2015 bore interest at rates ranging from 1.25% to 1.35% per annum.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

## Group

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Financial liabilities at fair value through profit or loss:			
Forward currency contracts	<u>252</u>	<u>–</u>	<u>–</u>

Note: The Group entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting under HKFRSs. The forward currency contracts are derivatives and are classified as financial liabilities at fair value through profit or loss and are stated at fair value at the end of each of the Relevant Periods.

Fair value losses of non-hedging currency derivatives amounting to US\$152,000 and US\$13,000 were charged to profit or loss as "Other expenses, net" during the years ended 31 December 2015 and 2016, respectively.

**28. DEFERRED TAX**

An analysis of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position is as follows:

**Group**

	<b>At 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Deferred tax assets	239	258	195
Deferred tax liabilities	(19)	–	–
	<u>220</u>	<u>258</u>	<u>195</u>

The components of deferred tax assets and liabilities and their movements during the Relevant Periods are as follows:

**Group**

	<b>Arising from</b>				Net deferred tax assets/ (liabilities) <i>US\$'000</i>
	Depreciation allowance in excess of related depreciation <i>US\$'000</i>	Defined benefit obligations <i>US\$'000</i>	Impairment of assets <i>US\$'000</i>	Unrealised profit or loss <i>US\$'000</i>	
At 1 January 2015	(22)	197	–	24	199
Deferred tax credited to profit or loss during the year ( <i>note 10</i> )	3	3	1	13	20
Deferred tax credited to other comprehensive income	–	8	–	–	8
Exchange realignment	–	(6)	–	(1)	(7)
At 31 December 2015 and 1 January 2016	(19)	202	1	36	220
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> )	(17)	1	1	114	99
Deferred tax charged to other comprehensive income	–	(63)	–	–	(63)
Exchange realignment	–	1	–	1	2
At 31 December 2016 and 1 January 2017	(36)	141	2	151	258
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 10</i> )	(32)	1	–	(79)	(110)
Deferred tax credited to other comprehensive income	–	29	–	–	29
Exchange realignment	1	16	–	1	18
At 31 December 2017	<u>(67)</u>	<u>187</u>	<u>2</u>	<u>73</u>	<u>195</u>



## Notes:

- (a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to approximately US\$5,086,000, US\$5,881,000 and US\$8,679,000 as at 31 December 2015, 2016 and 2017, respectively.

- (b) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**29. DEFINED BENEFIT PLAN**

PEL, a subsidiary incorporated in Taiwan, has adopted a defined benefit pension plan (the "Plan"), covering substantially all employees recruited by PEL before the implementation of the Labour Pension Act of Taiwan on 1 July 2005. The defined benefit pension plan requires contributions to be made to separately administered funds.

- (a) The movements in the defined benefit obligations and the fair value of plan assets during the Relevant Periods are as follows:

**Group**

	Year ended 31 December								
	2015			2016			2017		
	Defined benefit obligations	Fair value of plan assets	Net benefit liability	Defined benefit obligations	Fair value of plan assets	Net benefit liability	Defined benefit obligations	Fair value of plan assets	Net benefit liability
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	1,655	(501)	1,154	1,639	(456)	1,183	1,278	(444)	834
Pension cost charged/(credited) to profit or loss:									
Current service cost	19	–	19	14	–	14	9	–	9
Past service cost	(85)	–	(85)	–	–	–	–	–	–
Interest cost	28	(8)	20	21	(6)	15	17	(6)	11
	(38)	(8)	(46)	35	(6)	29	26	(6)	20
Remeasurement gains/(losses) in other comprehensive income:									
Return on plan assets (excluding amounts included in net interest expense)	–	(5)	(5)	–	3	3	–	1	1
Actuarial losses arising from changes in demographic assumptions	14	–	14	1	–	1	–	–	–
Actuarial losses arising from changes in financial assumptions	11	–	11	–	–	–	41	–	41
Actuarial (gains)/losses arising from experience adjustments	29	–	29	(377)	–	(377)	130	–	130
	54	(5)	49	(376)	3	(373)	171	1	172
Contributions from the employer	–	(16)	(16)	–	(15)	(15)	–	(16)	(16)
Benefits paid	(57)	57	–	(31)	31	–	–	–	–
Past service cost and gain from settlements	–	17	17	–	(1)	(1)	–	–	–
Exchange differences on foreign plan	25	–	25	11	–	11	143	(49)	94
At 31 December	1,639	(456)	1,183	1,278	(444)	834	1,618	(514)	1,104

- (b) An analysis of the fair value of each category of the plan assets as at the end of each of the Relevant Periods is as follows:

**Group**

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Equity investments	221	238	276
Debt instruments	56	53	88
Cash and cash equivalents	77	80	93
Others	102	73	57
	<u>456</u>	<u>444</u>	<u>514</u>

- (c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at the end of each of the Relevant Periods by an independent professionally qualified actuary using the projected unit credit method. The material actuarial assumptions used in determining the defined benefit obligations for the Group's defined benefit plan are as follows:

**Group**

	Year ended 31 December		
	2015	2016	2017
Discount rate	1.25%	1.25%	1.00%
Expected rate of salary increase	3.00%	3.00%	3.00%
Staff turnover rate	<u>0.26%</u>	<u>0.20%</u>	<u>0.22%</u>

A quantitative sensitivity analysis for the effect of changes in the discount rate and the expected rate of salary increase on the net defined benefits obligations as at the end of each of the Relevant Periods is as follows:

**Group**

	Increase in rate %	Increase/ (decrease) in net defined benefits obligations		Increase/ (decrease) in net defined benefits obligations US\$'000
		Increase in rate %	Decrease in rate %	
<b>At 31 December 2015</b>				
Discount rate	0.25	(47)	0.25	49
Expected rate of salary increase	<u>0.25</u>	<u>48</u>	<u>0.25</u>	<u>(46)</u>
<b>At 31 December 2016</b>				
Discount rate	0.25	(36)	0.25	38
Expected rate of salary increase	<u>0.25</u>	<u>37</u>	<u>0.25</u>	<u>(36)</u>
<b>At 31 December 2017</b>				
Discount rate	0.25	(41)	0.25	43
Expected rate of salary increase	<u>0.25</u>	<u>42</u>	<u>0.25</u>	<u>(40)</u>

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each of the Relevant Periods.

At 31 December 2015, 2016 and 2017, the expected contribution to be made within the next 12 months out of the defined benefit obligations was US\$26,000, US\$21,000 and US\$32,000.

### 30. SHARE CAPITAL

#### Company

	2015 US\$'000	2016 US\$'000	2017 US\$'000
Authorised issued and fully paid:			
1,000,000 ordinary shares of US\$1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Subsequent to the Relevant Periods, the capital structure of the Company was changed on 19 June 2018, further details of which are set out in note 39 of this section.

### 31. RESERVES

#### (a) Group

- (i) The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statements of changes in equity.
- (ii) The Group's capital reserve represents shareholders' additional contributions in prior years.
- (iii) The Group's statutory reserves are reserves set aside in accordance with (i) the Taiwan Companies Ordinance applicable to the Group's subsidiary established in Taiwan; and (ii) the Macao Commercial Code applicable to the Group's subsidiary established in Macau. None of the Group's statutory reserves was distributable in the form of cash dividend.

#### (b) Company

	<u>Retained profits</u>		
	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
At 1 January	23,868	28,071	54,755
Profit for the year and total comprehensive income for the year	14,203	36,684	37,264
Final dividend declared	(10,000)	(10,000)	–
Interim dividend declared	<u>–</u>	<u>–</u>	<u>(35,000)</u>
At 31 December	<u>28,071</u>	<u>54,755</u>	<u>57,019</u>

**32. ACQUISITION OF A SUBSIDIARY**

On 9 April 2015, the Group entered into a share transfer agreement with an independent third party to acquire the entire equity interest in RGL International at a cash consideration of HK\$3,700,000 (equivalent to approximately US\$477,000).

RGL International is incorporated in Macau and licensed by the Macao Trade and Investment Promotion Institute to operate as an offshore commercial company since 8 August 2002. At the date of acquisition, RGL International did not engage in any business except for holding an Offshore Services Permit issued by the Macao Trade and Investment Promotion Institute in Macau. Accordingly, the acquisition has been accounted for by the Group as an acquisition of assets and liabilities.

The net assets acquired by the Group as a result of the above transaction are as follows:

	<b>Year ended 31 December 2015 US\$'000</b>
Net assets acquired:	
Intangible asset ( <i>note 15</i> )	492
Prepayments, deposits and other receivables	3
Other payables and accruals	(4)
Due to a director	(14)
	<u>477</u>
Satisfied by cash	<u>477</u>

An analysis of the cash flows in respect of the acquisition of RGL International is as follows:

	<b>Year ended 31 December 2015 US\$'000</b>
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>(477)</u>

**33. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS****Changes in liabilities arising from financing activities**

	<b>Due to a director US\$'000</b>	<b>Bank borrowings US\$'000</b>
At 1 January 2015	–	1,173
Changes from financing cash flows	<u>1,613</u>	<u>4,827</u>
At 31 December 2015 and 1 January 2016	1,613	6,000
Changes from financing cash flows	<u>1,598</u>	<u>(6,000)</u>
At 31 December 2016 and 1 January 2017	3,211	–
Changes from financing cash flows	<u>(3,211)</u>	<u>–</u>
At 31 December 2017	<u>–</u>	<u>–</u>

## 34. COMMITMENTS

## (a) Capital commitments

The Group had the following capital commitments as at the end of each of the Relevant Periods:

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Contracted, but not provided for in respect of:			
Acquisition of property, plant and equipment	774	–	1,732

## (b) Operating lease commitments

The Group leases certain of its land use rights, offices premises, factories and warehouses under operating lease arrangements, with the leases negotiated with terms ranging from one to eight years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Within one year	1,529	1,476	2,021
In the second to fifth years, inclusive	104	112	2,625
After five years	–	–	1,713
	<u>1,633</u>	<u>1,588</u>	<u>6,359</u>

## 35. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group entered into the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
<b>A director of the Company</b>				
Rental expenses	(i)	10	9	10
<b>A company beneficially owned by certain directors of the Company</b>				
Rental expenses	(i)	175	175	175
<b>A company with significant influence over the Company</b>				
Management and consultancy service fees paid	(ii)	77	60	–
<b>Subsidiaries of a company with significant influence over the Company</b>				
Sales of goods	(iii)	53	5	–
Subcontracting service income	(iii)	240	466	122
Management and consultancy service fees paid	(ii)	22	27	93
Public facility maintenance expenses	(iv)	141	152	157
Utility expenses	(iv)	408	401	458
Shuttle bus service expenses	(i)	269	269	346
Building management expenses	(iii)	<u>116</u>	<u>124</u>	<u>139</u>

Notes:

- (i) These transactions were determined with reference to prevailing market rates.
  - (ii) The management and consultancy service fees were determined with reference to market salaries of personnel with similar background and experience in Taiwan.
  - (iii) These transactions were carried out at mutually-agreed prices.
  - (iv) The public facility maintenance expenses and utilities expenses were reimbursed to the related party on the actual cost basis.
- (b) Other than the balances with related companies as disclosed in notes 16, 19(b) and 25 to the Historical Financial Information, the Group had no outstanding balances with related parties as at the end of each of the Relevant Periods.
- (c) The compensation of the key management personnel of the Group are summarised as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Short term employee benefits	1,228	1,225	1,038
Discretionary and performance related bonus	–	–	3,418
Defined contribution schemes contributions	<u>12</u>	<u>12</u>	<u>22</u>
Total compensation paid/payable to key management personnel	<u><u>1,240</u></u>	<u><u>1,237</u></u>	<u><u>4,478</u></u>

### 36. FINANCIAL INSTRUMENTS BY CATEGORY

Other than certain equity investments being classified as an available-for-sale investment and equity investments at fair value through profit or loss as disclosed in notes 17 and 21 to the Historical Financial Information, respectively, and certain derivative financial instruments being classified as financial liabilities at fair value through profit or loss, all financial assets and liabilities of the Group as at the end of each of the Relevant Periods were loans and receivables and financial liabilities stated at amortised cost, respectively.

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of equity investments at fair value through profit or loss are based on quoted market prices. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

The fair values of the financial assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments stated at fair value as at 31 December 2015:

	Fair value measurement using			Total US\$'000
	Quoted in active markets Level 1 US\$'000	Significant observable inputs Level 2 US\$'000	Significant unobservable inputs Level 3 US\$'000	
	<b>31 December 2015</b>			
Financial assets:				
Equity investments at fair value through profit or loss	<u>105</u>	<u>–</u>	<u>–</u>	<u>105</u>
Financial liabilities:				
Derivative financial instruments	<u>–</u>	<u>252</u>	<u>–</u>	<u>252</u>

The Group did not have any financial instruments stated at fair value as at 31 December 2016 and 2017.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial instruments.

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, equity investments at fair value through profit or loss and an available-for-sale investment, comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are (a) interest rate risks, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has minimal use of derivatives and other instruments for trading purposes. The board of directors review and agree policies for managing each of these risks and they are summarised as follows:

#### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash at banks and the Group's interest-bearing borrowings with floating interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2015, 2016 and 2017 would have increased/decreased by US\$201,000, US\$260,000 and US\$467,000, respectively.

#### (b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment operations in Mainland China and Vietnam, the Group's consolidated statement of financial position can be affected significantly by movements in the RMB/US\$ and Vietnamese Dong ("VND")/US\$ exchange rates.



The following table demonstrates the sensitivity at the end of each of the Relevant Periods to reasonably possible changes in the RMB/US\$ and VND/US\$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	<b>Increase/(decrease) in profit before tax</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
If RMB weakens against the US dollar by 5%	(1,144)	(477)	(216)
If RMB strengthens against the US dollar by 5%	1,144	477	216
If VND weakens against the US dollar by 5%	65	59	282
If VND strengthens against the US dollar by 5%	(65)	(59)	(282)

**(c) Credit risk**

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the trade receivables. The Group has no significant concentration of credit risk in relation to trade receivables due to the Group's large customer base. Concentrations of credit risk are managed by diversity in customer base.

The Group performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the Historical Financial Information.

With respect to credit risk arising from other financial assets of the Group, comprising bank balances and other receivables due from related companies, the Group's exposure to credit risk arises from default of other parties, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

**(d) Liquidity risk**

The Group's objective is to maintain a balance between maintaining an adequate level of cash and cash equivalents to finance the Group's operations and investing surplus cash for higher return.

Financial liabilities of the Group included in current liabilities as at the end of each of the Relevant Periods either had no fixed terms of repayment or were due for repayment within one year. The contractual undiscounted payments of these financial liabilities approximate to their carrying amounts.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is all repayable on demand or within 1 year.

**(e) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders or issue new shares to increase capital. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

**39. EVENT AFTER THE RELEVANT PERIODS**

On 19 June 2018, the authorised share capital of the Company was increased by HK\$1,000,000,000 divided by the creation of 100,000,000,000 ordinary of HK\$0.01 each, ranking *pari passu* in all respects with the then existing ordinary shares of US\$1 each. Immediately following such increase, the authorised share capital of the Company was US\$1,000,000 divided into 1,000,000 ordinary shares of US\$1 each and HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$0.01 each.

On the same day, the Company allotted and issued 780,000,000 ordinary shares of HK\$0.01 each to its then shareholders at par value which were used for the repurchase on the same day of 1,000,000 ordinary shares of US\$1 each from its then shareholders with no consideration received or transferred.

Following the said repurchase, all authorised but unissued share capital of the Company was diminished by cancellation of all the unissued share capital of the Company with par value of US\$1.00 each in the share capital of the Company. After such cancellation, the authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK\$0.01 each.

**II. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

*The information set forth in this appendix does not form part of the Accountants' Report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose 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 forth 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 prepared by the directors of the Company in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below is set forth to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to shareholders of the Company as if it had taken place on 31 December 2017. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to shareholders of the Company as of 31 December 2017 or any future dates following the Global Offering.

		Unaudited				
		Less:		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company as at 31 December 2017 immediately after completion of the Global Offering		
Consolidated net assets of the Group attributable to shareholders of the Company as at 31 December 2017	Intangible assets of the Group attributable to shareholders of the Company as at 31 December 2017	Estimated net proceeds from the Global Offering	2017	2017	US\$	HK\$ equivalent
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$	HK\$ equivalent
(note 1)	(note 1)	(note 2)			(note 3)	(note 5)
Based on the minimum indicative offer price of HK\$0.89 per Offer Share	108,325	(874)	26,829	134,280	0.12	0.93
Based on the maximum indicative offer price of HK\$1.25 per Offer Share	108,325	(874)	39,119	146,570	0.13	1.01

**Notes:**

- (1) The consolidated net assets of the Group attributable to shareholders of the Company and the intangible assets of the Group attributable to shareholders of the Company as at 31 December 2017 are extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the minimum and maximum indicative offer prices of HK\$0.89 and HK\$1.25 per Offer Share, respectively, and after deduction of the estimated underwriting fees and other listing expenses payable by our Company (excluding listing expenses of approximately US\$744,000 which have been recognised in profit or loss prior to 31 December 2017). The estimated net proceeds are converted into HK\$ at the rate of US\$1 = HK\$7.75.
- (3) The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated based on 1,120,000,000 Shares in issue upon completion of the Global Offering, which comprises the existing 780,000,000 Shares in issue as at the date of this prospectus, 60,000,000 Shares to be issued pursuant to the Capitalisation Issue and 280,000,000 Shares to be issued pursuant to the Global Offering, but without taking into account of the 1,000,000 Shares of US\$1 each in issue as at 31 December 2017 (which were subsequently repurchased and cancelled on 19 June 2018 as further detailed in the section headed "History and Corporate Structure – Corporate Development and Structure" in this Prospectus), any Shares which may be issued as a result of the exercise of the Over-allotment Option, the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2017.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company per Share is converted into HK\$ at the rate of US\$1 = HK\$7.75.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

To the Directors of Prosperous Industrial (Holdings) Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Prosperous Industrial (Holdings) 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 pro forma financial information (the “Pro Forma Financial Information”) consists of the pro forma consolidated net tangible assets of the Group as at 31 December 2017 and related notes as set out in section A of Appendix II to the prospectus dated 29 June 2018 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section A of Appendix II to the Prospectus.

The 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 2017, as if the transaction had taken place on 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2017, on which an accountants' report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with rule 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**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*, 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 rule 4.29(7) of the Listing Rules, on the 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 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 Pro Forma Financial Information in accordance with rule 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purpose of the Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong  
29 June 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February, 2004 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 19 June 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).



The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

**(v) *Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

**(vi) *Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(vii) *Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

**(iv) Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate (s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.



***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

***(v) Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.



The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 March 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.



**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.



The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 February 2004. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 August 2017 and our Company's principal place of business in Hong Kong is at Unit 1-2, 1st Floor, Join-In Hang Sing Centre, 71-75 Container Port Road, Kwai Chung, New Territories, Hong Kong. Mr. Stephen Duong of Flat B, 23/F, Block 18, Serenity Park II, No.1 Tai Po Tau Drive, Tai Po, New Territories, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

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

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

As at the date of the incorporation of our Company, the authorised share capital of our Company was US\$1,000,000 divided into 1,000,000 Shares of US\$1 each. On 19 June 2018, pursuant to the written resolutions of the shareholders of our Company, the authorised capital of our Company was increased by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each. Immediately following such increase, the authorised capital of our Company was US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each and HK\$1,000,000,000 divided into 100,000,000,000 each with par value of HK\$0.01 each.

On the same day, our Company allotted and issued 546,000,000 Shares to Prosperous BVI at par value for HK\$5,460,000 and 234,000,000 Shares to Great Pacific at par value for HK\$2,340,000, which were set-off against and funded out of the repurchase price payable by our Company for the repurchase and cancellation of 700,000 shares of our Company with par value of US\$1.00 each for a total repurchase price of US\$700,000 from Prosperous BVI and 300,000 shares of our Company with par value of US\$1.00 each from Great Pacific for a total repurchase price of US\$300,000. After such issuance and repurchase, our issued share capital became HK\$7,800,000 divided into 780,000,000 Shares.

Following the said repurchase, on the same day, the authorised but unissued share capital of our Company was diminished by cancellation of all the unissued shares of par value US\$1.00 each of our Company. After such diminution, our authorised share capital was HK\$1,000,000,000 divided into 100,000,000,000 shares each with par value of HK\$0.01.

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, our authorised share capital is HK\$1,000,000,000 divided into 100,000,000,000 Shares, of which 1,120,000,000 Shares will be issued fully paid or credited as fully paid, and 98,880,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then shareholder of our Company passed on 19 June 2018" in this Appendix, the Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

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

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

#### ***Dongguan Zerong***

Dongguan Zerong, formerly known as Dongguan Qitailong Bag Ltd.\* (東莞啟泰隆箱包有限公司), was incorporated in the PRC as a sino-foreign joint venture on 19 March 1996, with an initial registered capital of HK\$10 million. On 30 November 2015, Starite BVI, being the sole shareholder of Dongguan Zerong, passed a shareholder's resolution to increase the registered capital of Dongguan Zerong by HK\$ 1 million. Starite BVI paid up the same on 15 January 2018.

#### ***Dongguan Excellence***

Dongguan Excellence was incorporated in the PRC as a wholly-foreign owned enterprise on 7 December 2004, with an initial registered capital of HK\$10 million. On 15 November 2017, Portwin, being the sole shareholder of Dongguan Excellence, passed a shareholder's resolution to reduce the registered capital of Dongguan Excellence from HK\$50 million to HK\$10 million.

#### ***Guangzhou Hongqitai***

On 10 February 2014, Guangzhou Hongqitai was incorporated as a wholly-foreign owned enterprise in the PRC, with an initial registered capital of US\$2 million. On 10 November 2017, United Team HK, being its sole shareholder, passed a shareholder's resolution for the deregistration of Guangzhou Hongqitai. Guangzhou Hongqitai was dissolved by voluntary deregistration on 17 November 2017.

#### ***Hero City***

On 11 January 2011, Hero City was incorporated as a limited liability company under the laws of the BVI. At the time of the incorporation, one share of Hero City was issued and owned by Mr. Edmond Yeung and such share was transferred to our Company on 11 April 2011 for a consideration at par value. Since then, Hero City has been wholly-owned by our Company. On 19 October 2017, Hero City was dissolved by voluntary liquidation pursuant to section 208 of the BVI Business Companies Act 2004.

#### ***Farway Group***

On 2 January 2013, Farway Group was incorporated as a limited liability company under the laws of the BVI. At the time of the incorporation, 50,000 shares of Farway Group were issued and owned by our Company. On 14 August 2017, Farway Group was dissolved by voluntary liquidation pursuant to section 208 of the BVI Business Companies Act 2004.

#### ***Promax HK***

On 24 April 2002, Promax HK was incorporated as a limited liability company in Hong Kong. Promax BVI has been its sole shareholder since 18 February 2008. On 22 September 2017, Promax BVI, being the sole shareholder of Promax HK, passed a shareholder's resolution for the voluntary deregistration of Promax HK. Promax HK is in the process of voluntary dissolution as at the Latest Practicable Date.

***Glorieux Indonesia***

On 16 March 2016, Gloriuex Indonesia was incorporated in Indonesia as a limited liability company. At the time of its incorporation, its shares were owned as to 40% by East Bright and 60% by Easy Great. On 30 April 2017, East Bright and Easy Great passed a shareholders' resolution for the voluntary deregistration of Glorieux Indonesia. Glorieux Indonesia is in the process of voluntary dissolution as at the Latest Practicable Date.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

**4. Written resolutions of the then shareholder of our Company passed on 19 June 2018**

Pursuant to the written resolutions of the then shareholder of our Company entitled to vote at general meetings of our Company, which were passed on 19 June 2018:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect;
- (b) the authorised capital of our Company was increased by HK\$1,000,000,000 by the creation of 100,000,000,000 Shares with par value of HK\$0.01 each;
- (c) our Company allotted and issued an aggregate of 780,000,000 Shares for a total subscription price of HK\$7,800,000 comprised of 546,000,000 Shares to Prosperous BVI and 234,000,000 Shares to Great Pacific at the subscription price of HK\$0.01 per Share, which were set-off against and funded out of the Total Repurchase Price (as defined in (d) below) payable by our Company to Prosperous BVI and Great Pacific as detailed in (d) below;
- (d) our Company repurchased 700,000 shares from Prosperous BVI and 300,000 shares from Great Pacific in the existing share capital of our Company with par value of US\$1.00 each in issue at the price of US\$1.00 each (the "Existing Shares") at an aggregate price of US\$1,000,000 (equivalent to HK\$7,800,000, the "Total Repurchase Price") which is set-off against the subscription price referred to in (c) above;
- (e) following the repurchase in (d) above, the authorised but unissued share capital of our Company was diminished by the cancellation of all the unissued shares of US\$1.00 each in the authorised share capital of our Company;
- (f) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Sole Global Coordinator (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:
  - (i) our Company approved and adopted the Articles of Association with effect from the Listing Date;

- (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK\$600,000 be capitalised and applied in paying up in full at par value 60,000,000 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;
- (iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;
- (iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue (as defined below), or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Associations or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

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

- (vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is 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 nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;
- (vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (f)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (f)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

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

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



## 5. Repurchase of our Shares

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

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

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

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

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

Pursuant to the written resolutions of the then shareholder of our Company passed on 19 June 2018, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on 19 June 2018" in this Appendix.

#### (ii) *Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

#### (iii) *Shares to be repurchased*

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

### (b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) Funding of repurchases**

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

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

**(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

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

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

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. Summary of the material contracts**

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







- (1) the third supplemental agreement dated 26 January 2018 entered into between Guangzhou Glorieux and Guangzhou City Yicheng Garment Co., Ltd\* (廣州市易誠製衣有限公司)(the "Parties") to the agreement entered into between Parties in relation to the joint development of three buildings on the land located at the south side of Nancun Road, Xingye Road, Nancun Town, Panyu District, Guangzhou City (廣州市番禺區南村鎮興業路南村路段南側) and the transfer of the three buildings and the land from Guangzhou Glorieux to Guangzhou City Yicheng Garment Co., Ltd\* (廣州市易誠製衣有限公司) for a total consideration of RMB21,331,200 dated 5 May 2010 (the "Original Agreement"), pursuant to which certain content of the Original Agreement have been supplemented and amended;

- (2) the Deed of Indemnity;
- (3) the Deed of Non-competition; and
- (4) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

### *Trademarks*

As at the Latest Practicable Date, we have registered 42 trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registered number	Expiry date
1.		Fame Mark	Hong Kong	35	304200371	7 July 2027
2.		Prosperous TW	Taiwan	9	00893072	31 May 2020
3.		Prosperous TW	Taiwan	18	00892315	15 May 2020
4.		Prosperous TW	Taiwan	35	01869099	15 September 2027
5.		Promax BVI	PRC	18	4354854	6 September 2018
6.		Promax BVI	PRC	35	4354853	27 May 2018 (Apply renewal on 23 May 2018)
7.	<b>promax</b>	Promax BVI	Taiwan	9	01241131	15 December 2026
8.	<b>promax</b>	Promax BVI	Taiwan	14	01241395	15 December 2026
9.	<b>promax</b>	Promax BVI	Taiwan	18	01035186	28 February 2023
10.	<b>promax</b>	Promax BVI	Taiwan	25	01173802	15 September 2025
11.	<b>promax</b>	Promax BVI	Taiwan	35	01174192	15 September 2025
12.	<b>promax</b>	Promax BVI	Hong Kong	9	300304523	19 October 2024
13.	<b>promax</b>	Promax BVI	Hong Kong	14	300304523	19 October 2024
14.	<b>promax</b>	Starite HK	Hong Kong	18	200111278	6 December 2027
15.	<b>promax</b>	Promax BVI	Hong Kong	25	300304523	19 October 2024
16.	<b>promax</b>	Promax BVI	Hong Kong	35	300304523	19 October 2024
17.	<b>promax</b>	Promax BVI	PRC	3	5180656	6 October 2019
18.	<b>promax</b>	Promax BVI	PRC	14	3562567	27 January 2025
19.	<b>promax</b>	Promax BVI	PRC	18	1745686	13 April 2022
20.	<b>promax</b>	Promax BVI	PRC	35	6518031	20 November 2022
21.	<b>promax</b>	Starite HK	Singapore	18	T01/16242D	17 October 2021

No.	Trademark	Registered Owner	Place of registration	Class	Registered number	Expiry date
22.	<b>promax</b>	Starite HK	Indonesia	18	IDM000390788	11 October 2022
23.	<b>promax</b>	Starite HK	Japan	18	4583849	5 July 2022
24.	<b>promax</b>	Starite HK	Malaysia	18	02012485	9 October 2022
25.	<b>promax</b>	Starite HK	Thailand	18	TM185 547	4 November 2022
26.	<b>promax</b>	Promax BVI	India	18	1433 984	27 March 2026
27.	<b>promax</b>	Prosperous TW	Vietnam	18	103082	27 March 2026
28.	<b>promax</b>	Promax BVI	USA	9	1820321	8 February 2024
29.	<b>promax</b>	Promax BVI	USA	18	1820321	8 February 2024
30.	<b>promax</b>	Promax BVI	Brazil	18	8298 86010	19 October 2020
31.	<b>promax</b>	Starite HK	France	9	01 3 130 794	12 November 2021
32.	<b>promax</b>	Promax BVI	France	14	04 3 323 193	10 November 2024
33.	<b>promax</b>	Starite HK	France	18	01 3 130 794	12 November 2021
34.	<b>promax</b>	Promax BVI	France	25	04 3 323 193	10 November 2024
35.	<b>promax</b>	Starite HK	UK	18	2314987	5 November 2022
36.	<b>promax</b>	Starite HK	Australia	18	891722	10 October 2021
37.	<b>promax</b>	Prosperous TW	Saudi Arabia	18	92158	6 February 2024
38.	<b>promax</b>	Prosperous TW	United Arab Emirates	18	55353	5 January 2025
39.	<b>MAISON PROMAX</b>	Promax BVI	Taiwan	14	01920031	15 June 2028
40.	<b>MAISON PROMAX</b>	Promax BVI	Taiwan	18	01909175	15 April 2028
41.	<b>MAISON PROMAX</b>	Promax BVI	Taiwan	25	01906076	31 March 2028
42.	<b>MAISON PROMAX</b>	Promax BVI	Taiwan	35	01918039	31 May 2028

As at the Latest Practicable Date, we had not applied for registration of any trademarks which, in the opinion of our Directors, are material to our business.

**Domain Names**

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

<b>No.</b>	<b>Registrant</b>	<b>Domain name</b>	<b>Expiration date</b>
1.	Glorieux HK	glorieux.com	14 January 2023
2.	Prosperous HK	prs.com.hk	Nil
3.	Starite HK	prs-vn.com.hk	5 May 2020
4.	RGL	rglma.com	25 February 2022
5.	Glorieux HK	glorieux.com.hk	1 October 2021
6.	United Team HK	promaxstyle.com	23 June 2020
7.	United Team HK	akeed.hk	23 March 2019
8.	United Team HK	unitedteam.hk	22 March 2019
9.	Our Company	pihlgp.com	24 December 2022
10.	Our Company	pihl.hk	7 April 2020
11.	Our Company	prosperousgroup.com	31 October 2020
12.	Prosperous TW	akeed.tw	11 April 2019
13.	Prosperous TW	maisonpromax.com	4 November 2018
14.	Prosperous TW	maisonpromax.com.tw	4 November 2018
15.	Prosperous TW	prs.com.tw	15 August 2020
16.	Prosperous TW	promaxstyle.com.tw	1 September 2018

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Directors' service contracts and letters of appointment**

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

Each of our non-executive and independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Herman Yeung	HK\$1,794,000
Mr. Philip Yeung	HK\$1,170,000
Mr. Stephen Duong	HK\$575,000
Mr. Lu Chin-Chu	nil
Mr. Tsai Nai-Yung	nil
Mr. Yip Kwok Cheung	HK\$180,000
Mr. Chiu Che Chung Alan	HK\$180,000
Mr. Ko Siu Tak	HK\$180,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract or a letter of appointment with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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

For the three years ended 31 December 2015, 2016 and 2017, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was US\$705,000, US\$703,000 and US\$1,084,000, respectively. Details of the Directors' remuneration are also set out in note 8 of the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2015, 2016 and 2017 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2018 will be approximately HK\$3,792,000.

## D. DISCLOSURE OF INTERESTS

### 1. Disclosure of interests

#### (a) *Interests and short positions of our Directors or our chief executive officer in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalisation Issue and the Global Offering*

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, none of our Directors and our chief executive officer has any interests or short positions in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred

to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

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

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being our Director or our chief executive officer) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members of our Group:

*Interests and short positions in our Shares and underlying Shares of our Company:*

*Long positions in our Company*

Name	Capacity/Nature of interest	Immediately after the Capitalisation Issue and the Global Offering <sup>(1)</sup>	
		Number of Shares	Percentage of shareholding in our Company
Prosperous BVI <sup>(2)</sup>	Beneficial owner	588,000,000	52.5%
Mr. Yeung <sup>(2)</sup>	Interest in a controlled corporation	588,000,000	52.5%
Mrs. Yeung <sup>(2)</sup>	Interest in a controlled corporation	588,000,000	52.5%
Great Pacific <sup>(3)</sup>	Beneficial owner	252,000,000	22.5%
Yue Yuen <sup>(3)</sup>	Interest in a controlled corporation	252,000,000	22.5%
Wealthplus Holdings Limited <sup>(4)</sup>	Interest in a controlled corporation	252,000,000	22.5%
Pou Chen Corporation <sup>(4)</sup>	Interest in a controlled corporation	252,000,000	22.5%

*Notes:*

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Prosperous BVI is owned as to 23% by Mr. Yeung, 23% by Mrs. Yeung, 12% by Mr. Herman Yeung, 12% by Mr. Tony Yeung, 12% by Mr. Theodore Yeung, 6% by Mr. Edmond Yeung, 6% by Mr. Philip Yeung and 6% by Mr. C. F. Yeung. Prosperous BVI is the beneficial owner of 588,000,000 Shares upon Listing and Mr. Yeung is the spouse of Mrs. Yeung. By virtue of the SFO, Mr. Yeung and Mrs. Yeung together are deemed to be interested in all of our Shares held by Prosperous BVI.
- (3) Great Pacific is a wholly-owned subsidiary of Yue Yuen and the beneficial owner of 252,000,000 Shares upon Listing. By virtue of the SFO, Yue Yuen is deemed to be interested in all of the Shares held by Great Pacific. Yue Yuen is a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.



- (4) Pou Chen Corporation is a shareholder of Yue Yuen and as at the Latest Practicable Date, is interested as to 50.33% of Yue Yuen through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 47.22% of Yue Yuen as at the Latest Practicable Date) and Win Fortune Investments Limited (interested as to 3.11% of Yue Yuen as at the Latest Practicable Date). By virtue of the SFO, Pou Chen Corporation is deemed to be interested in our shares held by Great Pacific. Pou Chen Corporation is incorporated in Taiwan and is listed on the Taiwan Stock Exchange (stock code: 9904).

## 2. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalisation Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;
- (b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;
- (c) none of our Directors nor any of the parties listed in “F. Other Information – 10. Consents of experts” in this section is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) none of our Directors nor any of the parties listed in “F. Other Information – 10. Consents of experts” in this section is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in “F. Other Information – 10. Consents of experts” in this section:
- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
- (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;
- (f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

## E. SHARE OPTION SCHEME

The followings is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on 19 June 2018 and adopted by a resolution of the Board on 19 June 2018 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

### 1. Purpose

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

### 2. Who may join

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

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”);
- (b) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (c) a direct or indirect shareholder of any member of our Group;
- (d) a supplier of goods or services to any member of our Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;
- (g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and
- (h) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the “**Eligible Persons**”).

### 3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 112,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the “**Scheme Mandate Limit**”) provided that:

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

### 4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company’s issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

**5. Offer and grant of Options**

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

**6. Granting Options to connected persons**

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

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

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

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

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

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

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

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

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

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

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

**10. Subscription price**

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

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

**11. Exercise of Option**

- (a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.
- (d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:
  - (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;
  - (ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
  - (iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

- (iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:
- (1) the Option period;
  - (2) the period of two months from the date of such notice; or
  - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.
- (v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

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

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

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

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

- (a) the expiry of the Option period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (c) subject to the terms of the period mentioned in the paragraph headed “E. Share Option Scheme – 11. Exercise of Option” in this Appendix, the date of the commencement of the winding-up of our Company;



- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

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

#### **14. Adjustment**

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

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

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

- (a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

**15. Cancellation of options not exercised**

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

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

**16. Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

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

**17. Termination**

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

**18. Transferability**

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

**19. Alteration of Share Option Scheme**

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

- (a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;
- (c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and
- (d) any alteration to the aforesaid alteration provisions provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

**20. Conditions of the Share Option Scheme**

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

- (a) the approval of our Shareholders for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 112,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (c) the commencement of dealing in our Shares on the Stock Exchange; and
- (d) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith terminate;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 112,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

**F. OTHER INFORMATION****1. Deed of Indemnity**

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 in respect of, among other things:

- (a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong) and any relevant legislation in any relevant jurisdiction outside Hong Kong as a result or in consequence of any event or transaction occurring on or before the fulfillment of the conditions set out in the section headed “Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus;
- (b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and
- (c) all loss, cost, expenses, damages or other liabilities as may be incurred by us arising from or in connection with the lack of title or authority of the lessors to lease us the leased properties in the PRC or non-registration of the lease agreements of the leased properties in the PRC.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

- (a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the years ended 31 December 2015, 2016 and 2017 (the “Accounts”); or
- (b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2017 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

- (d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the paragraph headed “Legal Proceedings and Compliance” under the section headed “Business” in this prospectus.

## **2. Litigation**

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

## **3. Preliminary expenses**

Our estimated preliminary expenses are approximately US\$5.2 million and have been paid by us.

## **4. Promoter**

There are no promoters of our Company.

## **5. Sole Sponsor**

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalisation Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK\$5,000,000 to act as sponsor to our Company in the Global Offering.

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

Our Directors confirm that, save as disclosed in this prospectus, there has been no material adverse change in our Company’s financial or trading position or prospects since 31 December 2017 (being the date to which our latest audited consolidated financial statements were made up).

**7. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

**8. Miscellaneous**

- (1) Save as disclosed in this prospectus:
- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
  - (d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
  - (e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
  - (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
  - (g) we have no outstanding convertible debt securities.
- (2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

**9. Qualifications of experts**

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

<b>Name</b>	<b>Qualification</b>
WAG Worldsec Corporate Finance Limited	A corporation licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

Name	Qualification
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisers as to PRC law
Vision & Associates Legal	Legal advisers as to Vietnam law
Ing Law Office in Commercial Association with KCP (Cambodia) Ltd	Legal advisers as to Cambodia law
KPMG Law Firm	Legal advisers as to Taiwan law
Leong Hon Man Law Office	Legal advisers as to Macau law
Morgan, Lewis & Bockius LLP	Legal advisers as to U.S., EU and United Nations sanctions laws
Moulis Legal	Legal advisers as to Australia sanctions laws
China Insights Consultancy	Independent industry consultant
LCH (Asia-Pacific) Surveyors Limited	Independent property valuer

#### 10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

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

#### 11. Bilingual prospectus

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



**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this document 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) the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 10. Consents of experts” in Appendix IV to this prospectus; and (c) copies 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.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Unit 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the service agreements and appointment letters entered into between our Company and each of our Directors;
- (c) 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;
- (d) the written consents referred to in the section headed “Statutory and General Information – F. Other Information – 10. Consents of experts” in Appendix IV to this prospectus;
- (e) the legal opinion issued by Jingtian & Gongcheng, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests in the PRC;
- (f) the letter issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (g) the legal opinion issued by Vision & Associates Legal, our Company’s legal adviser as to laws of Vietnam;
- (h) the legal opinion issued by Ing Law Office in Commercial Association with KCP (Cambodia) Ltd, our Company’s legal adviser as to the laws of Cambodia;
- (i) the legal opinion issued by KPMG Law Firm, our Company’s legal adviser as to the laws of Taiwan;
- (j) the legal opinion issued by Leong Hon Man Law Office, our Company’s legal adviser as to the laws of Macau;
- (k) the legal memorandum prepared by Morgan, Lewis & Bockius LLP as to U.S., EU and United Nations sanctions law in respect of our Group’s business activities in the Sanctioned Jurisdictions;
- (l) the legal memorandum prepared by Moulis Legal as to Australian sanctions laws in respect of our Group’s business activities in the Sanctioned Jurisdictions;

- (m) the Accountants' Report from Ernst & Young, our reporting accountants, the text of which is set out in Appendix I to this prospectus;
- (n) the audited consolidated financial statements of our Group for the years ended 31 December 2015, 2016 and 2017;
- (o) the report from Ernst & Young, our reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (p) the industry report prepared by China Insights Consultancy;
- (q) the rental fairness opinion letters issued by LCH (Asia-Pacific) Surveyors Limited;
- (r) the Companies Law; and
- (s) the Share Option Scheme.



**Prosperous Industrial (Holdings) Limited**