

Sterling Group Holdings Limited

美臻集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1825



SHARE OFFER

Sole Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator

 首盛資本集團
Alpha Financial Group

Joint Bookrunners and Joint Lead Managers

 首盛資本集團
Alpha Financial Group



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻騰資本證券有限公司



*For identification purpose only

IMPORTANT

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

Sterling Group Holdings Limited 美臻集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 228,000,000 Shares, comprising 200,000,000 New Shares and 28,000,000 Sale Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares	: 205,200,000 Shares, comprising 177,200,000 New Shares and 28,000,000 Sale Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares	: 22,800,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.44 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1825

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Co-Managers

 AFG
高証証券

 千里碩
ELSTONE

 利顯證券有限公司
Grand Partners Securities Limited

 一盈證券有限公司
I WIN SECURITIES LTD.

 富源證券
WealthLink

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

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

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or before 8:00 p.m. on Wednesday, 10 October 2018. The Offer Price will not be more than HK\$0.44 per Offer Share and is currently expected to be not less than HK\$0.40 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.44 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.44.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.sterlingapparel.com.hk not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before 5:00 p.m. on Monday, 15 October 2018, the Share Offer will not become unconditional and will lapse immediately.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

EXPECTED TIMETABLE *(Note 1)*

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of our Company at www.sterlingapparel.com.hk and the Stock Exchange at www.hkexnews.hk.

Date *(Note 1)* **2018**

Public Offer announces and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m.
on Saturday, 29 September

Application lists of the Public Offer open *(Note 2)* 11:45 a.m.
on Friday, 5 October

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

Application Forms *(Note 3)* and to give electronic
application instruction to HKSCC 12:00 noon
on Friday, 5 October

Application lists of the Public Offer close *(Note 2)* 12:00 noon
on Friday, 5 October

Expected Price Determination Date *(Note 4)* Wednesday, 10 October

Announcement of the final Offer Price, the level of
indication of interest in the Placing, the level of
applications in the Public Offer, the basis of
allocation of the Public Offer Shares to be published
in South China Morning Post (in English) and
the Hong Kong Economic Times (in Chinese) and
on the website of our Company at
www.sterlingapparel.com.hk *(Note 5)* and
the website of the Stock Exchange
at www.hkexnews.hk on or before Thursday, 18 October

Results of allocations in the Public Offer (with successful
applicants' identification document numbers, where
applicable) to be available through a variety of channels
(see the subsection headed "How to apply for Public
Offer Shares – 10. Publication of results"
in this prospectus) from Thursday, 18 October

Results of allocations in the Public Offer will be
available at www.tricor.com.hk/ipo/result with
a "search by ID Number/Business Registration Number"
function from Thursday, 18 October

Despatch/Collection of share certificates in respect of
wholly or partially successful applications pursuant to
the Public Offer on or before *(Note 6)* Thursday, 18 October

EXPECTED TIMETABLE *(Note 1)*

Date *(Note 1)* 2018

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before *(Note 7)* Thursday, 18 October

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 19 October

Notes:

- (1) All times and dates refer to Hong Kong local times and dates unless otherwise stated. For further details of the structure and conditions of the Share Offer, including its conditions, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at www.sterlingapparel.com.hk and the website of the Stock Exchange at www.hkexnews.hk.
- (2) 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, 5 October 2018, the application lists will not open or close on that day. For further details, please refer to the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or before 8:00 p.m. on Wednesday, 10 October 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before 5:00 p.m. on Monday, 15 October 2018, the Share Offer will not proceed and will lapse immediately.
- (5) None of the website or any information contained on that website forms part of this prospectus.
- (6) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so 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, 18 October 2018 or any other date notified by us as the date of despatch of Share certificates/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation 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 who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. 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 the paragraphs “How to apply for Public Offer Shares – 13. Despatch/collection of Share certificates and refund monies” in this prospectus.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of

EXPECTED TIMETABLE *(Note 1)*

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 would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to apply for Public Offer Shares” in this prospectus.

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

Particulars of the structure and conditions of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer. Information contained on our website, located at www.sterlingapparel.com.hk, does not form part of this prospectus.

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SUMMARY

OVERVIEW

Founded in 1993, our Group is an apparel manufacturer headquartered in Hong Kong providing a one-stop apparel manufacturing solution for our customers. We manufacture a wide range of apparel products such as outerwear, bottoms, tops and other products. The majority of our customers are international apparel brands with their products sold around the world. In particular, we have established a long standing relationship with our largest customer, Customer A who is an international apparel brand headquartered in the U.S., since the 1990s. Leveraging on our extensive experience in the apparel industry, we recently pursued new opportunities to expand our business and to diversify our product portfolio. During the year ended 31 March 2017, we collaborated with Customer G to supply flight crew uniforms for a U.S. airline. Our Directors consider that our collaboration with Customer G is an important milestone in our Group's history as it marks our entry in the business uniform market.

During most of the Track Record Period, we outsourced our entire production process to third party factories and related party factories. To cater for our Group's expansion, we acquired three related party production facilities in the PRC and Sri Lanka in early 2017. Since then, our production will first be allocated to our production facilities so that we can directly monitor our manufacturing process and increase our operating flexibility. For further details of our production facilities, please refer to the section headed "Business – Our production facilities" in this prospectus.

For the years ended 31 March 2016, 2017 and 2018, our revenue was approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million, respectively. Our total profit and comprehensive income was approximately HK\$26.2 million, HK\$31.1 million and HK\$19.9 million for the corresponding period. The following table sets forth the breakdown of our Group's revenue by product categories during the Track Record Period:

Revenue by product categories	2016		Year ended 31 March 2017		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Outerwear	194,394	35.0	239,662	35.7	221,688	32.8
Bottoms	233,266	41.9	280,000	41.7	286,345	42.3
Tops	43,092	7.7	33,459	5.0	38,178	5.6
Others	85,361	15.4	117,834	17.6	130,645	19.3
Total revenue	556,113	100.0	670,955	100.0	676,856	100.0

SUMMARY

OUR BUSINESS MODEL

The following diagram illustrates our business model:



OUR PRODUCTS

Our apparel products can be grouped into four categories, namely (i) outerwear (e.g. jackets, coats and blazers); (ii) bottoms (e.g. pants, shorts and skirts); (iii) tops (e.g. shirts, blouses and tank tops); and (iv) other products such as dresses, suits, gown, scarf, jumpsuits and vests. Generally, the demand for our apparel products is seasonal and higher in the fall and winter seasons. During the Track Record Period, the sales volume of our apparel products amounted to approximately 2.9 million pieces, 3.8 million pieces and 4.4 million pieces, respectively.

The average selling price per piece for our apparel products was approximately HK\$193.5, HK\$174.5 and HK\$154.8 for the years ended 31 March 2016, 2017 and 2018, respectively. The

SUMMARY

following table sets forth our sales volume and average selling price per piece by product categories during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>Average selling price per piece</i>	<i>Average selling price per piece</i>	<i>Average selling price per piece</i>	<i>Average selling price per piece</i>	<i>Average selling price per piece</i>	<i>Average selling price per piece</i>
	<i>Sales volume (‘000 pieces)</i>	<i>approximately HK\$</i>	<i>Sales volume (‘000 pieces)</i>	<i>approximately HK\$</i>	<i>Sales volume (‘000 pieces)</i>	<i>approximately HK\$</i>
Outerwear	441	440.5	566	423.2	672	329.9
Bottoms	1,721	135.6	2,538	110.3	2,782	102.9
Tops	364	118.3	178	187.6	264	144.6
Others	348	245.7	564	209.4	655	199.5
Total	<u>2,874</u>	<u>193.5</u>	<u>3,846</u>	<u>174.5</u>	<u>4,373</u>	<u>154.8</u>

The decrease in average selling price per piece was primarily due to the combined effects that (i) more sales orders were received from Customer G, which was positioned at mid range of the market; and (ii) less sales orders were received from Customer A, which was positioned at a relatively higher range of the market. For further details of the sales volume and average selling price per piece of our apparel products, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Revenue by product categories” in this prospectus.

OUR PRODUCTION

We provide one-stop manufacturing services for apparel products to our customers. Our products are produced either in our own production facilities or by third party factories. We closely monitor all key stages of our production process to ensure our quality standard and delivery schedule are met. Our production process mainly comprises cutting, sewing, trimming, ironing and packing. For further details of our production management, please refer to the section headed “Business – Our business model – 3. Production management” in this prospectus.

Our Directors believe the Three Factories were fully utilised based on our estimated production capacity by the working hours of machinery. For further details of our production capacity, please refer to the section headed “Business – Our business model – 3. Production management – Production capacity and utilisation rate” in this prospectus.

ACQUISITIONS DURING THE TRACK RECORD PERIOD

During the Track Record Period, we acquired (i) Zhi Wei; (ii) Chiefway (PVT); and (iii) the Katunayake Factory. For further details of our acquisitions, please refer to the section headed “History, development and Reorganisation – Major acquisitions” in this prospectus.

Although the said acquisitions may seem to constitute a change to our business model, our Directors consider that (i) our acquisitions did not cause a significant change to our operation flow for the provision of apparel manufacturing services to our customers; and (ii) our acquisitions do not have a material impact on our business operation and financial status. For further details, please refer to the sections headed “Business – Our business model” and “Business – Our business model – 3. Production management” in this prospectus.

OUR CUSTOMERS

Our customers are mainly international apparel brands that are headquartered in the U.S. and in certain European countries such as the U.K. and Spain with their products sold around the world. As at 31 March 2016, 2017, 2018 and as at the Latest Practicable Date, we had six, seven, seven and seven customers.

SUMMARY

For the years ended 31 March 2016, 2017 and 2018, our revenue generated from Customer A accounted for approximately 95.5%, 69.4% and 50.2% of our total revenue, respectively, and the gross profit derived from Customer A amounted to approximately HK\$83.0 million, HK\$79.3 million and HK\$67.8 million, respectively, for the same years. For further details of our relationship with Customer A, please refer to the section headed “Business – Our customers – Reliance on Customer A” in this prospectus. Based on our historical figures and the projection of our Group, our Directors expect that our reliance on Customer A may decline further, taking into account our Group’s strategies in the enhancement of our production capacity and diversification of our customer base.

OUR SUPPLIERS

Our suppliers mainly consist of (i) third party factories which manufacture apparel products for our customers; and (ii) suppliers of raw materials, such as fabrics, linings and trims. We do not enter into any long term agreements with our suppliers as the materials are generally purchased on an order-by-order basis. For further details of our suppliers, please refer to the section headed “Business – Our suppliers” in this prospectus.

For the years ended 31 March 2016, 2017 and 2018, (i) our cost of raw materials amounted to approximately HK\$147.0 million, HK\$193.8 million and HK\$184.5 million, respectively; (ii) our subcontracting charges amounted to approximately HK\$110.0 million, HK\$116.1 million and HK\$22.0 million, respectively; and (iii) our cost of finished products amounted to approximately HK\$197.3 million, HK\$236.7 million and HK\$252.8 million, respectively. During the Track Record Period, the top five suppliers accounted for approximately 30.8%, 40.2% and 56.5% of our total purchase respectively.

OUR PRICING STRATEGY

Our Group adopted a cost-plus pricing model whereby price quotations made to our customers are based on a mark-up on the total costs of our apparel products.

COMPETITIVE LANDSCAPE

According to the Ipsos Report, the apparel manufacturing industry is competitive and is populated with a large number of players of various scale of operations. Our Group accounted for approximately 0.1% of the total import value of apparel in the U.S. for the year ended 31 March 2018. For further details of our industry, please refer to the section headed “Industry overview” in this prospectus.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the success of our Group is attributable to, among other things, the following competitive strengths:

- ability to manufacture a diversified range of apparel products;
- established long-term relationships with customers who are international apparel brand names;
- established long-term relationships with third party factories;
- stringent quality assurance and control measures;
- the geographical advantage of our production facilities located in the PRC and Sri Lanka; and
- experienced management team with a proven track record.

SUMMARY

For further details of our competitive strengths, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

OUR BUSINESS STRATEGIES

Our Group intends to further strengthen our overall competitiveness and market position in the apparel manufacturing industry by adopting the following key business strategies:

- building on our long term relationships with existing customers and diversifying our Group’s base of customers;
- further upgrade and enhance our Group’s production facilities;
- continue to pursue strategic acquisitions, investments and alliance opportunities to capture other potential market opportunities; and
- further enhance our information technology systems.

For further details of our business strategies, please refer to the section headed “Business – Our business strategies” in this prospectus.

KEY RISK FACTORS

Our Directors are of the view that our business and operations are exposed to a number of risks. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to conducting business in Sri Lanka; (iv) risks relating to conducting business the PRC; (v) risks relating to the Share Offer and our Shares; and (vi) risk relating to statements in this prospectus. Our Directors believe our major risks are as follows:

- our Group relies heavily on Customer A and Customer G and any decrease in our sales to Customer A and Customer G would materially affect our business, financial condition and future operations;
- we have not entered into any long-term agreements with our customers, which exposes us to the risk of uncertainty and potential volatility in respect of our revenue;
- we rely significantly on our sales in the U.S. and any event negatively affecting the U.S. could have an adverse effect on our business, financial conditions, result of operations and future operations;
- we have completed the acquisition of our own production facilities during the Track Record Period and may experience difficulties in managing and integrating operations or otherwise fail to achieve the desired benefits from the acquisitions;
- we may not be able to sustain our historical financial performance and may encounter difficulties in sustaining profitability; and
- any failure to maintain an effective quality assurance system at our production facilities or any failure or deterioration of our quality assurance system may have a material adverse effect on our reputation.

For further details of the risk relating to our business and operations, please refer to the section headed “Risk factors” in this prospectus.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION

The following summary of financial information of our Group for the Track Record Period should be read in conjunction with the financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

Highlights of combined statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	556,113	670,955	676,856
Cost of sales	<u>(454,332)</u>	<u>(562,787)</u>	<u>(552,029)</u>
Gross profit	<u>101,781</u>	<u>108,168</u>	<u>124,827</u>
Profit for the year	<u>26,154</u>	<u>31,114</u>	<u>20,012</u>
Total comprehensive income for the year	<u><u>26,154</u></u>	<u><u>31,101</u></u>	<u><u>19,911</u></u>
Non-HKFRS Measure:			
Profit for the year	26,154	31,114	20,012
Add:			
Listing expenses	–	2,562	6,069
Less:			
Gains on bargain purchase	<u>–</u>	<u>8,619</u>	<u>–</u>
Adjusted net profit (excluding listing expenses and gains on bargain purchase)	<u><u>26,154</u></u>	<u><u>25,057</u></u>	<u><u>26,081</u></u>

Adjusted net profit represents our profit, adding back the listing expenses and excluding the gains on bargain purchase. The use of adjusted net profit has certain limitations because it does not reflect all items of income and expenses that affect our operations. The term adjusted net profit is not defined under HKFRS, and adjusted net profit is not a measure of profit and total comprehensive income or liquidity presented in accordance with HKFRS. The use of adjusted net profit has limitations as an analytical tool, and you should not consider it in isolation form, or a substitute for analysis of our results of operations or financial conditions as reported.

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Profit for the year	26,154	31,114	20,012
Add:			
Income tax expenses	5,447	4,915	5,835
Finance cost	2,825	3,871	5,892
Depreciation of property, plant and equipment	6,264	7,110	11,296
Amortisation of payment for leasehold land held for own use under operating lease	<u>1,449</u>	<u>1,449</u>	<u>570</u>
EBITDA (unaudited)	<u><u>42,139</u></u>	<u><u>48,459</u></u>	<u><u>43,605</u></u>

SUMMARY

EBITDA represents our operating profit, adding back depreciation and amortisation of payment for leasehold land held for own use under operating lease. The use of EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. The term EBITDA is not defined under HKFRS, and EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with HKFRS. The use of EBITDA has limitations as an analytical tool, and you should not consider it in isolation form, or a substitute for analysis of our results of operations or financial conditions as reported.

Revenue

During the Track Record Period, our Group's revenue represented the net invoiced amounts received or receivable for products manufactured and sold to our customers. For the years ended 31 March 2016, 2017 and 2018, our Group's revenue amounted to approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million, respectively.

For further details, please refer to the section headed "Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Revenue" in this prospectus.

Cost of sales

During the Track Record Period and before the acquisition of Zhi Wei, Chiefway (PVT) and the Katunayake Factory, our Group's cost of sales primarily consisted of (i) cost of raw materials; (ii) cost of finished goods and (iii) subcontracting charges. After the abovementioned acquisition, our Group's cost of sales primarily consisted of (i) cost of raw materials; (ii) change in inventories; (iii) cost of finished goods; (iv) direct labour costs; (v) subcontracting charges; (vi) manufacturing overhead; and (vii) depreciation and amortisation of leasehold land. For the years ended 31 March 2016, 2017 and 2018, our Group's cost of sales amounted to approximately HK\$454.3 million, HK\$562.8 million and HK\$552.0 million, respectively. Our production volume attributed to the Three Factories accounted for approximately 41.4%, 46.4% and 35.5% of our total production volume for the corresponding years. For further details, please refer to the section headed "Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Cost of sales" in this prospectus.

Gross profit and gross profit margin

For the years ended 31 March 2016, 2017 and 2018, our Group's gross profit amounted to approximately HK\$101.8 million, HK\$108.2 million and HK\$124.8 million, respectively. Our Group's gross profit margin decreased from 18.3% for the year ended 31 March 2016 to 16.1% for the year ended 31 March 2017 and then increased to 18.4% for the year ended 31 March 2018. The following table sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period:

Gross profit and gross profit margin by product categories	Year ended 31 March					
	2016		2017		2018	
	Gross profit HK\$'000	Gross profit margin by product %	Gross profit HK\$'000	Gross profit margin by product %	Gross profit HK\$'000	Gross profit margin by product %
Outerwear	36,873	19.0	41,678	17.4	38,158	17.2
Bottoms	41,452	17.8	38,954	13.9	50,573	17.7
Tops	8,446	19.6	6,100	18.2	6,510	17.1
Others	15,010	17.6	21,436	18.2	29,586	22.6
Total gross profit and overall gross profit margin	101,781	18.3	108,168	16.1	124,827	18.4

SUMMARY

For further details, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” in this prospectus.

Other revenue

Our Group’s other revenue primarily consisted of (i) imputed interest income; (ii) sample sales income and (iii) claims income. For the years ended 31 March 2016, 2017 and 2018, our Group’s other revenue amounted to approximately HK\$6.7 million, HK\$6.6 million and HK\$4.9 million, respectively. For further details, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Other revenue” in this prospectus.

Other gains and losses, net

Our Group’s other gains and losses primarily consisted of (i) reversal of accruals; (ii) reversal of (impairment) loss on receivables; (iii) exchange (losses) gains; and (iv) gain on bargain purchase. For the years ended 31 March 2016, 2017 and 2018, our Group had other losses of approximately HK\$1.3 million and other gains of approximately HK\$10.5 million and HK\$1.6 million, respectively. The increase in other gains for the year ended 31 March 2017 was mainly attributable to the combined effect of (i) the gain on bargain purchase resulted from our Group’s acquisition of the Katunayake Factory; and (ii) the reversal of impairment on trade receivables as a result of the subsequent settlement for the year ended 31 March 2017. For further details, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Other gains and losses, net” in this prospectus.

Highlights of combined statements of financial position

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	136,536	109,164	108,544
Current assets	136,477	303,020	255,946
	<u>273,013</u>	<u>412,184</u>	<u>364,490</u>
Current liabilities	236,518	342,343	293,704
Non-current liabilities	1,051	3,296	2,252
	<u>35,444</u>	<u>66,545</u>	<u>68,534</u>
Net assets			
Net current liabilities	(100,041)	(39,323)	(37,758)

Our Group recorded net current liabilities of approximately HK\$100.0 million, HK\$39.3 million and HK\$37.8 million as at 31 March 2016, 2017 and 2018, respectively. Such net current liabilities position was primarily due to the combined effect of the classification of amounts due to shareholders (approximately HK\$95.5 million, HK\$99.5 million and HK\$8.4 million as at the corresponding dates) which was for financing our Group’s business operations, and certain long-term bank borrowings (approximately HK\$21.6 million, HK\$58.0 million and HK\$54.3 million as at the corresponding dates) as current liabilities which was for financing our Group’s acquisition of fixed assets and subsidiaries. Our net current liabilities may expose us to liquidity

SUMMARY

risk and may limit our working capital for operations or business expansion plans in the future. For further details of the net current liabilities, please refer to the section headed “Financial information – Net current liabilities” in this prospectus.

Highlights of combined statements of cash flows

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Cash and cash equivalents at the beginning of the year	37,582	27,477	47,140
Net cash flows generated from/(used in) operating activities	25,508	(1,719)	1,147
Net cash flows used in investing activities	(3,599)	(58,312)	(14,978)
Net cash flows (used in)/generated from financing activities	(32,014)	79,660	33,380
Net (decrease)/increase in cash and cash equivalents	(10,105)	19,629	19,549
Effect of change in foreign exchange rate	–	34	(153)
Cash and cash equivalents at the end of year	27,477	47,140	66,536

Our Group recorded positive net operating cash flow of approximately HK\$25.5 million for the year ended 31 March 2016, negative net operating cash flow of approximately HK\$1.7 million for the year ended 31 March 2017 and positive net operating cash flow of approximately HK\$1.1 million for the year ended 31 March 2018. If we fail to obtain sufficient financing to meet the financial needs and obligation of our Group, we may not be able to implement our business strategies or expansion as planned. For further details of the net cash flows used in operating activities, please refer to the section headed “Financial information – Cash flows – Net cash flows generated from/(used in) operating activities” in this prospectus.

KEY FINANCIAL RATIOS

	As at/year ended 31 March		
	2016	2017	2018
Current ratio	0.58 times	0.89 times	0.87 times
Quick ratio	0.43 times	0.78 times	0.74 times
Gearing ratio	196.1%	224.0%	287.7%
Debt to equity ratio	118.6%	153.1%	190.6%
Interest coverage	12.2 times	10.3 times	5.4 times
Return on assets	9.6%	7.5%	5.5%
Return on equity	73.8%	46.7%	29.1%
Net profit margin	4.7%	4.6%	2.9%

Our gearing ratio was approximately 196.1%, 224.0% and 287.7% as at 31 March 2016, 2017 and 2018, respectively. For further details of the high gearing ratio, please refer to the section headed “Financial information – Other key financial ratios – Gearing ratio” in this prospectus.

Our high level of gearing ratio may adversely affect our liquidity and business operations, including (i) increasing our vulnerability under adverse economic condition; (ii) potentially limiting our ability to raise more debt; and (iii) increasing our exposure to interest rate fluctuation.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), approximately 37.5% of the issued share capital of our Company will be

SUMMARY

owned by Moonlight, which is wholly owned by Mr. CW Siu; and 34.0% of the issued share capital of our Company will be owned by Rainbow Galaxy, which is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor.

As at the Latest Practicable Date, Mr. William Choi, one of our Controlling Shareholders, has an interest in two companies, namely, C.F.L. Enterprise and CFL Global (collectively, the "CFL Business"), which is an apparel supply chain management service provider and a trading company, respectively. Nonetheless, our Directors are of the view that there are clear delineations between the principal businesses of our Group as opposed to CFL Business's. For reasons on the clear delineations between our Group's business as opposed to CFL Business's, please refer to the section headed "Relationship with our Controlling Shareholders – Other businesses of our Controlling Shareholders" in this prospectus.

Save as disclosed above, none of our Controlling Shareholders has interests in any business that, competes or likely to compete, either directly or indirectly with the business of our Group. To protect our Group from any potential competition, our Controlling Shareholders have given irrevocable and unconditional non-competition undertaking in favour of our Group under the Deeds of Non-competition. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.42 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing related expenses in relation to the Share Offer is approximately HK\$29.6 million (excluding the underwriting commission to be borne by the Selling Shareholder of approximately HK\$0.9 million in direct proportion of the Sale Shares in the Share Offer), of which approximately HK\$2.6 million and approximately HK\$6.1 million were charged to our income statements for the year ended 31 March 2017 and 2018, respectively. For the remaining expenses, we expect to charge approximately HK\$8.1 million to our income statements and the balance of approximately HK\$12.8 million to be capitalised for the year ending 31 March 2019. Our Group's financial performance and result of operation for the year ending 31 March 2019 will be affected by the listing expenses. However, the non-recurring listing expenses will not have continuing impact on our financial results.

NON-COMPLIANCE

Our Group had failed to comply with certain applicable laws and regulations in the PRC during the Track Record Period, including (i) failure to make adequate social insurance contribution in the PRC pursuant to the Social Insurance Law of the PRC and Interim Regulations on Collection and Payment of Social Insurance Premiums; (ii) failure to make adequate housing provident fund contributions in the PRC pursuant to the Regulations on the Management of Housing Provident Fund; and (iii) non-registration of the leases. For further details of such non-compliance incidents and the remedial measures taken by our Group, please refer to the section headed "Business – Legal proceedings and compliance" in this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. For further details of principal terms of the Share Option Scheme, please refer to the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus.

OFFER STATISTICS

	Based on an Offer Price of HK\$0.40 per Share	Based on an Offer Price of HK\$0.44 per Share
Number of Offer Shares	228,000,000 Shares	228,000,000 Shares
Market capitalisation of our Shares ¹	HK\$320 million	HK\$352 million
Unaudited pro forma combined net tangible asset per Share ²	HK\$0.14	HK\$0.15

SUMMARY

Notes:

1. The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue following completion of the Share Offer but does not take into account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme.
2. The unaudited pro forma combined net tangible asset per Share is calculated after making the adjustments referred to in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and on the basis of a total of 800,000,000 Shares expected to be in issue following completion of the Share Offer.

DIVIDEND

For the years ended 31 March 2016, 2017 and 2018, certain subsidiaries of our Group declared dividends of approximately HK\$20.0 million, nil and HK\$18.0 million, respectively. No dividends were declared by our Group after 31 March 2018 and up to the Latest Practicable Date.

Our Company currently does not have a dividends policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividends would require the approval of our Directors and will be at their discretion. In addition, any final dividends for a financial year will be subject to Shareholder’s approval. Our historical dividends distribution is not an indication or may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Our Board will review our Company’s dividend policy and determine whether dividends are to be declared and paid.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$54.4 million from the Share Offer, after deducting underwriting fees and other estimated expenses in relation to the Share Offer, and assuming that the Offer Size Adjustment Option is not exercised, at an Offer Price of HK\$0.42 per Share, being the mid-point of the Offer Price range stated in this prospectus. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$16.3 million, representing approximately 30% of the net proceeds will be used for expanding and refurbishing our production facilities located in Sri Lanka and the PRC;
- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for repayment of our outstanding bank borrowings, which were used for the acquisition of (i) Zhi Wei; (ii) Chiefway (PVT); and (iii) the Katunayake Factory;
- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for acquisitions of production facilities;
- approximately HK\$5.4 million, representing approximately 10% of the net proceeds will be used for upgrading our information technology system, lean manufacturing and productivity improvement programs; and
- approximately HK\$5.5 million, representing approximately 10% of the net proceeds will be used for our Group’s general working capital.

Assuming the Offer Price is fixed at HK\$0.42 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$10.8 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. Our Group will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

SUMMARY

REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group based on the following reasons:

- (i) facilitating the implementation of our Group's business strategies by accessing the capital market for fund raising;
- (ii) gaining higher corporate profile, visibility and strengthen our competitiveness;
- (iii) generating and improving employee incentive and commitment; and
- (iv) maintaining high standards of corporate governance.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, for the four months ended 31 July 2018, our Group recorded a revenue of approximately HK\$186.4 million, representing a 0.3% increase from HK\$185.7 million for the corresponding period in 2017. However, the aforesaid results may not be indicative of the results that may be expected for the full year ending 31 March 2019. For further details, please refer to the section headed "Risk Factors – Risks relating to the industry in which we operate – Our Group's business is subject to risks related to extreme changes in weather conditions and seasonality trends" and "Business – Seasonality".

The following table sets forth the breakdown of our revenue by customers:

	For the four months ended		Variance
	2017	2018	
	HK\$'000	HK\$'000	
Customer A	97,611	115,813	18.6%
Customer G	81,501	48,656	-40.3%
Customer H	2,987	18,683	525.5%
Others	3,636	3,207	-11.8%
Total	<u>185,735</u>	<u>186,359</u>	0.3%

The revenue from Customer G decreased by approximately 40.3% from approximately HK\$81.5 million for the four months ended 31 July 2017 to HK\$48.7 million for the four months ended 31 July 2018 mainly due to the fact that we did not deliver any flight crew uniforms orders for the four months ended 31 July 2018. Based on the confirmed orders on hand and the expected delivery date, our Directors anticipate a decrease in revenue from Customer G for the year ending 31 March 2019.

The financial information for the four months ended 31 July 2018 as mentioned above has been reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SUMMARY

As at the Latest Practicable Date, we have received confirmed orders of HK\$380.6 million from our customers compared to approximately HK\$312.6 million as at 20 September 2017. The following table sets forth the breakdown of the confirmed orders by customers received by our Group as at 20 September 2017 and the Latest Practicable Date respectively:

	As at 20 September 2017 HK\$'000	As at the Latest Practicable Date HK\$'000
Customer A	131,125	165,241
Customer G	171,139	174,673
Customer H	3,870	31,312
The J. Peterman Company LLC	6,473	9,335
	<u>312,607</u>	<u>380,561</u>

Notwithstanding the decrease in Customer G's revenue for the four months ended 31 July 2018 as compared to the same period in 2017, the confirmed orders of Customer G as at the Latest Practicable Date increased from HK\$171.1 million to HK\$174.7 million as compared to the corresponding date in 2017. The increase was primarily due to the confirmed orders for flight crew uniforms in September 2018.

During the Track Record Period and up to the Latest Practicable Date, the cancellation rate of the confirmed orders that could not translate into our actual sales by our customers was around 1.0%. Therefore, our Directors believe that the abovementioned confirmed orders are highly achievable.

Factoring in the expected modification in the terms and conditions of our borrowings, our Directors anticipated that the total bank financing available for our Group after Listing will be approximately HK\$332.2 million, as compared to approximately HK\$375.2 million as at 31 July 2018, representing a decrease of approximately 11.5%.

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Our Directors anticipate that our adjusted net profit (excluding the listing expenses) will decrease in the year ending 31 March 2019 as compared to the year ended 31 March 2018. Such decrease in our adjusted net profit is mainly attributable to the anticipated increase after Listing in general and administration expenses and finance costs during the year ending 31 March 2019.

DEFINITION

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

“Accountants’ Report”	the accountants’ report of our Company prepared by BDO Limited on 29 September 2018, the text of which is set out in Appendix I to this prospectus
“Ample Capital” or “Sole Sponsor”	Ample Capital Limited, a licenced corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities
“Application Form(s)”	WHITE and YELLOW application form(s) or, where the context so requires, any of them which is used in the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Director”	the board of Directors
“BOI”	the Board of Investment of Sri Lanka
“BOI Agreement”	the agreement entered into between the BOI and Chiefway Katunayake on 26 July 2017 by which the Leasehold Land had been transferred from Chiefway Lanka to Chiefway Katunayake as at 1 April 2017
“BOI Approval Letter”	the approval letter issued by the BOI on 22 March 2017 (as amended by a letter issued by the BOI dated 30 March 2017) in relation to the acquisition of the business of Chiefway Lanka by Chiefway Katunayake
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

DEFINITION

“Capitalisation Issue”	the issue of 599,999,900 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company upon completion of the Share Offer as referred to in the subsection headed “Statutory and general information – A. Further information about our Group – 3. Written resolutions of our Shareholders dated 21 September 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“C.F.L. Enterprise”	C.F.L. Enterprise Limited, a company incorporated in Hong Kong with limited liability on 29 September 1978 and is owned as to 50% by Mr. William Choi and a third party
“CFL Global”	CFL Global (Comercial Offshore De Macau) Limitada, a company incorporated in Macau with limited liability on 2 December 2003 and is ultimately owned by a family trust of which Mr. William Choi is the settlor
“Chiefway International”	Chiefway International Limited, a company incorporated in Hong Kong with limited liability on 21 January 2004 which is wholly owned by Sterling Apparel as at 10 June 2014 and is an indirect wholly owned subsidiary of our Company

DEFINITION

“Chiefway Katunayake”	Chiefway Katunayake (Private) Limited, a company incorporated in Sri Lanka with limited liability on 31 March 2017 and is an indirect wholly owned subsidiary of our Company. On 31 March 2017, it acquired the business of Chiefway Lanka save for the Leasehold Land which was subsequently transferred on 1 April 2017 pursuant to the BOI Agreement. Chiefway Katunayake operates the Katunayake Factory
“Chiefway Lanka”	Chiefway Lanka (Private) Limited (formerly known as Mirrai (Private) Limited), a company incorporated in Sri Lanka with limited liability on 18 February 1994 and is wholly owned by Mr. YM Siu
“Chiefway (PVT)”	Chiefway (Private) Limited, a company incorporated in Sri Lanka with limited liability on 16 September 2011 and was wholly owned by Mr. YM Siu as at 1 April 2015. It became an indirect wholly owned subsidiary of our Company on 28 February 2017. Chiefway (PVT) operates the Meegoda Factory
“Choi’s Family Trusts”	the two revocable trusts, which indirectly owns 100% shareholding of Rainbow Galaxy in total, of which the settlor is Mr. William Choi
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Sterling Group Holdings Limited (美臻集團控股有限公司*), a company incorporated in the Cayman Islands as an exempted company with limited liability on 6 June 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 June 2017

DEFINITION

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Moonlight and Rainbow Galaxy, Mr. CW Siu and Mr. William Choi
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 21 September 2018 executed by Moonlight, Rainbow Galaxy, Mr. CW Siu and Mr. William Choi as indemnifiers in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are summarised in the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition I”	a deed of non-competition dated 21 September 2018 executed by CFL Global, C.F.L. Enterprise, Rainbow Galaxy and Mr. William Choi in favour of our Company (for itself and as trustee of the members of our Group), particulars of which are summarised in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Deed of Non-competition II”	a deed of non-competition dated 21 September 2018 executed by Moonlight, Mr. CW Siu, Ms. Alice Wong and Mr. YM Siu in favour of our Company (for itself and as trustee of the members of our Group), particulars of which are summarised in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Deeds of Non-competition”	collectively, Deed of Non-competition I and Deed of Non-competition II
“Director(s)”	the director(s) of our Company
“EIT”	Enterprise Income Tax (企業所得稅)
“Elegant Maker”	Elegant Maker Limited, a company incorporated in Hong Kong with limited liability on 22 January 2016 and is an indirect wholly owned subsidiary of our Company
“Excel Tops”	Excel Tops Limited, a company incorporated in the BVI with limited liability on 11 May 2017 and is a direct wholly owned subsidiary of our Company

DEFINITION

“GDP”	gross domestic product
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GFA”	gross floor area
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time, and “we”, “our” or “us” shall be construed accordingly
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HK\$” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of, and not connected with, any directors, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associate(s)

DEFINITION

“Ipsos”	Ipsos Limited, a market research agency, which is an independent third party
“Ipsos Report”	an industry report prepared by Ipsos which was commissioned by us in relation to, among other things, the apparel industry in Hong Kong, the U.S., Sri Lanka and the PRC
“Katunayake Factory”	the production facility operated by Chiefway Katunayake which is located at Ring Road 3, Phase 2, EPZ, Katunayake, Sri Lanka
“Latest Practicable Date”	20 September 2018, being the latest practicable date for the purpose of ascertaining certain information before the printing of this prospectus
“Leasehold Land”	the leasehold title of a plot of land granted by the BOI in extent of 05 A at Phase 2 EPZ, Katunayake, Sri Lanka, where the Katunayake Factory is located
“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 on which the listing of the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LKR” or “Rs”	Sri Lankan Rupee, the lawful currency of Sri Lanka
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Meegoda Factory”	the production facility operated by Chiefway (PVT) which is located at No. 549 Artigala Road, Meegoda, Sri Lanka
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company approved and adopted at the time of incorporation and as amended from time to time

DEFINITION

“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Moonlight”	Moonlight Global Holdings Limited, a company incorporated in the BVI with limited liability on 19 April 2017 which is wholly owned by Mr. CW Siu and is one of our Controlling Shareholders
“MPF”	Mandatory provident fund
“Mr. CW Siu”	Mr. Siu Chi Wai, one of our Controlling Shareholders, spouse of Ms. Alice Wong and father of Mr. YM Siu
“Mr. KS Wong”	Mr. Wong Kwong Sang, brother of Ms. Alice Wong, a former nominal shareholder of Zhi Wei
“Mr. William Choi”	Mr. Choi Siu Wai William, one of our Controlling Shareholders, our non-executive Director and the settlor of Choi’s Family Trusts
“Mr. YM Siu”	Mr. Siu Yik Ming, our executive Director and son of Mr. CW Siu and Ms. Alice Wong
“Ms. Alice Wong”	Ms. Wong Mei Wai Alice, our executive Director, spouse of Mr. CW Siu and mother of Mr. YM Siu
“New Shares”	the new Shares to be offered by our Company under the Share Offer
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK\$0.44 and is currently expected to be not less than HK\$0.40, to be agreed upon by us and the Sole Global Coordinator (acting for itself and on behalf of Underwriters) on or before the Price Determination Date
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares together with, where relevant, any additional shares issued pursuant to the exercise of any of the Offer Size Adjustment Option

DEFINITION

“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator or its agent (for itself and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 34,200,000 additional Offer Shares, representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocation in the Placing
“Panyu Factory”	the production facility operated by Zhi Wei which is located at 廣州市番禺區石樓鎮潮田工業區 (Chaotian Industrial Zone, Songshan Road, Shilou Town, Panyu, Guangdong Province, the PRC*)
“Philippines”	the Republic of the Philippines
“Placing”	the conditional placing of the Placing Shares at the Offer Price, details of which are described in the section headed “Structure and conditions of the Share Offer” in this Prospectus
“Placing Share(s)”	the 205,200,000 Shares (comprising 177,200,000 New Shares and 28,000,000 Sale Shares) initially being offered by us for subscription at the Offer Price under the Placing (subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriter(s)”	the underwriter(s) of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing which is expected to be entered into by, among others, our Company and the Placing Underwriters, on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“PRC” or “China”	The People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong and the Macau Special Administrative Region of the PRC

DEFINITION

“PRC Legal Advisor”	GFE Law Office, legal advisor to our Company as to PRC laws
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before 8:00 p.m. on Wednesday, 10 October 2018
“Property”	18th – 20th Floor and carpark spaces P310 to P315, Win Plaza, San Po Kong, New Kowloon Inland Lot Nos 6237 R.P.
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and conditions of the Share Offer” in this prospectus for cash at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Share(s)”	the 22,800,000 Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer (subject to reallocation as mentioned in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriters of the Public Offer listed in the subsection headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus

DEFINITION

“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 27 September 2018 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Selling Shareholder and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Rainbow Galaxy”	Rainbow Galaxy Limited, a company incorporated in BVI with limited liability on 8 December 2004 which is ultimately wholly owned by Choi’s Family Trusts and is one of our Controlling Shareholder
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of our Group in preparation for the Listing as described under the section headed “History, development and Reorganisation” in this prospectus
“Reporting Accountants”	BDO Limited, Certified Public Accountants, the reporting accountants of our Company
“Restricted Business”	means any business which competes with the business currently and from time to time engaged by our Group (including but not limited to OEM manufacturing and businesses ancillary to any of the foregoing but for the Deed of Non-competition I excluding the Overlapped Business), in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“Sale Shares”	the 28,000,000 Offer Shares initially offered by the Selling Shareholder at the Offer Price under the Placing
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“Selling Shareholder”	Rainbow Galaxy, our existing Shareholder who has offered to sell the Sale Shares in the Share Offer

DEFINITION

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company on 21 September 2018, the principal terms of which are summarised in the paragraph headed “Statutory and general information – D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Global Coordinator”	Alpha Financial Group Limited, a licensed corporation to carry out type 1 regulated activities under the SFO, being the underwriter, the sole global coordinator, the joint bookrunner and the joint lead manager of the Share Offer
“Spain”	the Kingdom of Spain
“SPHK”	Sterling Possessions (H.K.) Limited (formerly known as Cashe Investments Limited), a company incorporated in Hong Kong by Mr. CW Siu and two other shareholders on 16 December 1993 and was the predecessor company of Sterling Apparel
“Sri Lanka”	the Democratic Socialist Republic of Sri Lanka
“Sri Lanka Legal Advisor”	F J & G de Saram, legal advisor to our Company as to Sri Lanka laws
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Sterling Apparel”	Sterling Apparel Limited, a company incorporated in Hong Kong with limited liability on 19 June 2012 and is an indirectly wholly owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITION

“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
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tenancy Agreements”	three tenancy agreements dated 8 February 2018 entered into between our Group as tenant and Win 18, Win 19 and Win 20 as landlords pursuant to which our Group leases the Win 18 Premises, the Win 19 Premises and the Win 20 Premises
“Three Factories”	The Panyu Factory, the Meegoda Factory and the Katunayake Factory, collectively the Three Factories
“Track Record Period”	the period comprising the three financial years of our Group ended 31 March 2018
“Underwriter(s)”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United Kingdom” or “U.K.”	the United Kingdom
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time
“USD” or “US\$”	United States dollar(s), the lawful currency of the United States
“VAT”	Value-added tax (增值稅)
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Win 18”	Win 18 Limited, a company incorporated in Hong Kong with limited liability on 19 May 2017 and is wholly owned by Winfield

DEFINITION

“Win 18 Premises”	18th Floor of Win Plaza and car parking space nos. P310 and P311 on 3rd Floor of Win Plaza, Kowloon, Hong Kong
“Win 19”	Win 19 Limited, a company incorporated in Hong Kong with limited liability on 19 May 2017 and is wholly owned by Winfield
“Win 19 Premises”	19th Floor of Win Plaza and car parking space nos. P312 and P313 on 3rd Floor of Win Plaza, Kowloon, Hong Kong
“Win 20”	Win 20 Limited, a company incorporated in Hong Kong with limited liability on 19 May 2017 and is wholly owned by Winfield
“Win 20 Premises”	20th Floor of Win Plaza and car parking space nos. P314 and P315 on 3rd Floor of Win Plaza, Kowloon, Hong Kong
“Winfield”	Winfield Group Limited, a company incorporated in Hong Kong with limited liability on 11 May 2017
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Zhi Wei”	廣州市志威製衣有限公司 (Zhi Wei (Guangzhou) Garment Manufacturing Co., Limited*), a wholly-foreign-owned enterprise established in the PRC on 5 February 2007, is an indirect wholly owned subsidiary of our Company Zhi Wei operates the Panyu Factory
“%”	per cent

If there is any inconsistency between the English names of entities and their Chinese translations, the English names shall prevail. The English translation of company names in Chinese or another language marked with “” and the Chinese translation of company names in English or another language which are marked with “*” is for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“AQL”	the Acceptable Quality Level standard, a quality inspection standard which is used internationally in the apparel industry to examine the quality of finished products. The standard refers to the maximum numbers of defects that could be considered acceptable during the random sampling of an inspection
“CMP”	“cut, make and pack” the manufacturer cuts the fabric, sews and packs the apparel product for export to international markets
“ERP”	enterprise resource planning refers to systems and software packages used by organisations to manage day-to-day business activities, such as accounting, procurement, project management and manufacturing
“FOB”	“free-on-board”, when the seller includes all charges at a designated port of departure for the delivery of goods to the buyer at which the risk of loss is transferred from the seller to buyer
“Four-Point System”	a visual examination of fabrics, whereby defects in fabrics are assigned points according to the size and significance of the defect. If the total defect points for a fabric exceeds a certain number it will be rejected
“GSD”	“general sewing data”, industry-wide approach to quantifying manufacturing methods, times and costs for complete products and/or individual product components
“knit”	fabrics that are interlooped together in one continuous yarn and are stretchy in any direction
“SMV”	“standard minute values”, the time required for a qualified worker to perform a given task with reference to GSD
“techpack”	an informatory sheet which encompasses all the specifications of the requirements before the production process. It contains all the details of the apparel products such as designs, colors, labelling specifications, and specific styles. It is usually prepared by the customers
“woven”	fabrics that are made of multiple yarns crossing each other at right angles and will fray at the edges unless properly hemmed

FORWARD LOOKING STATEMENT

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, and the negative forms of these words and other similar expressions, as they relate to our business, are intended to identify forward-looking statements in particular, under the sections headed “Summary”, “Risk factors”, “Business” and “Financial information” in this prospectus. Such statements reflect our current views with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic conditions, political and business conditions in the markets in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effect of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our ability to further develop and manage our projects as planned;
- the actions and developments of our competitors;
- certain statements in the section headed “Financial information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

FORWARD LOOKING STATEMENT

- the other factors that are described in the section headed “Risk factors” in this prospectus.

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

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

Prospective investors should carefully consider all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

The prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our Group relies heavily on Customer A and Customer G and any decrease in our sales to Customer A and Customer G would materially affect our business, financial condition and future operations

Our Group's largest customer, Customer A, is an international apparel brand that is headquartered in the U.S. and operates both physical and online stores internationally. We have established more than 18 years of business relationship with Customer A.

For the years ended 31 March 2016, 2017 and 2018, the revenue derived from Customer A amounted to approximately HK\$531.1 million, HK\$465.5 million and HK\$339.5 million respectively, which accounted for approximately 95.5%, 69.4% and 50.2% of our Group's total revenue during the same period. For the years ended 31 March 2016, 2017 and 2018, the gross profit derived from Customer A amounted to approximately HK\$83.0 million, HK\$79.3 million and HK\$67.8 million, respectively. As at the Latest Practicable Date, we secured orders of approximately HK\$165.2 million from Customer A. For further information on the reasons of our reliance on Customer A, please refer to the section headed "Business – Reliance on Customer A".

Our Group's second largest customer for the two years ended 31 March 2018, Customer G, is an American retailer of causal wear based in the mid west of the U.S.. We have established business relationship with Customer G since 2015.

For the years ended 31 March 2017 and 2018, the revenue derived from Customer G amounted to approximately HK\$186.7 million and HK\$285.3 million, respectively, which accounted for approximately 27.8% and 42.2% of our Group's total revenue during the same period. For the years ended 31 March 2017 and 2018, the gross profit derived from Customer G amounted to approximately HK\$25.5 million and HK\$43.1 million, respectively. As at the Latest Practicable Date, we secured orders of approximately HK\$174.7 million from Customer G.

RISK FACTORS

We cannot assure you that Customer A and Customer G will continue to do business with us at the same or increased levels or at all. If Customer A and Customer G substantially reduce the volume of their orders they place with us, there is no assurance that we will be able to secure new business opportunities from new or potential customers in a timely manner. In such circumstances, our business and financial condition would be materially and adversely affected.

We have not entered into any long-term agreements with our customers, which expose us to the risk of uncertainty and potential volatility in respect of our revenue

Generally, we do not enter into any long-term agreements with our customers as business is typically done on an order-by-order basis. Our customers are not obliged to place further orders with us. The orders from our customers may vary from period to period and our customers may even cancel or defer orders under exceptional circumstances. There is also no assurance that the volume or profit margin of our customers' orders will be consistent with our expectations when we plan our expenditures.

As our customers' orders may vary significantly from period to period, it is difficult for us to forecast future order quantities. We cannot assure you that any of our customers will continue to place orders with us in the future at the same volume, or at the same profit margin, as compared with prior periods, or at all. Consequently, our business operations and financial conditions may differ from time to time and may fluctuate significantly in the future. If any or a number of our customers cease to place orders with us and if we fail to secure alternative orders in a timely manner, our business and financial performance and results of operations would be materially and adversely affected.

We rely significantly on our sales in the U.S. and any event negatively affecting the U.S. could have an adverse effect on our business, financial conditions, results of operations and future operations

During the Track Record Period, most of our revenue was derived from our sales to our customers in the U.S. which accounted for approximately 98.2%, 94.7% and 92.6% of our total revenue, respectively.

The current administration of the U.S. government (the "**Administration**") has made substantial changes to domestic and international policies, including but not limited to the U.S.' withdrawal from the Trans Pacific Partnership Agreement and the entry ban on citizens of several Muslim-majority countries, which led to a wave of public discontent and international tensions. The Administration may adopt and implement further changes to current international policies which may bring uncertainty to the global economy and/or political environment and may consequently cause an adverse effect on our business, financial condition, results of operations and prospects. For instance, the Administration may impose a higher tariff on goods imported from Asia. If such policy is implemented and if we fail to pass on all or part of such increased tariffs to our customers, our business, financial condition and future operations could be adversely affected.

RISK FACTORS

Moreover, if there is a significant decrease in the orders from our customers in the U.S. due to newly implemented policies which affect our customers' operations, we cannot guarantee you that we can increase orders from other markets to replace the loss of sales from the U.S. market. This would materially and adversely affect our business operations and financial condition in the future.

We have not entered into any long-term agreements with third party factories and any disruption in the relationships with the third-party factories or their manufacturing operations could adversely affect our business

During the Track Record Period, we outsourced the production of our apparel products to third party factories who are mainly located in the Philippines and the PRC. Notwithstanding the acquisition of Zhi Wei, Chiefway (PVT) and the Katunayake Factory, we would still outsource the production of some of our apparel products to third party factories in order to cope with our customers' demand and to supplement our production capacity. As such, our Group relies on the ability and efficiency of third-party factories to produce apparel products for our customers and therefore the third party factories play a vital role in the one-stop manufacturing services offered to our customers.

We do not enter into any long term agreements with the third party factories as we engage them on a case by case basis depending on the requirements and specifications of our customers. There is no assurance that all or any of the third party factories will continue to produce apparel products for our Group at the desired quality and quantity, in a timely manner or on commercially acceptable terms. Any disruption in the third party factories' production may inevitably have negative impact on their ability to produce the apparel products in line with the required schedule. If any of the third party factories terminates their business with our Group or if there are any changes to the current business arrangements, we may not be able to source stable and suitable products from comparable alternative third party factories in a timely manner or on commercially acceptable terms. Any of these events may result in production delay and would adversely affect our Group's ability to fulfil customers' orders and in turn affect our sales and profitability.

Fluctuation in the price, availability and quality of raw materials could affect our or our suppliers' production, which would then result in increased costs for us

We and our suppliers must procure raw materials on a timely basis in order to meet the delivery date set by our customers as well as their expectation. Our business is dependent upon our and our suppliers' ability to source sufficient supply of raw materials that meet our and our customers' specifications, including good quality, satisfactory prices and delivery of products in a timely manner. The availability of raw materials may be affected by many factors beyond our control, including natural disasters such as droughts, floods and earthquakes, seasonal fluctuations, climate conditions, economic conditions, customer demand and governmental regulations. In addition, we generally do not enter into any long-term supply agreements with our suppliers and/or suppliers nominated by our customers for the supply of principal raw materials. As it is our Group's practice not to keep any inventory for the raw materials to be

RISK FACTORS

used before receiving customers' orders, we rely on the timely delivery of raw materials by our suppliers. A material shortage in the supply of raw materials will affect our production and delivery schedules and our customer's perception of our manufacturing and sourcing ability.

Raw material suppliers may take into account many factors, including among other things, demand and supply when fixing the prices of their raw materials. Increases in raw material prices will adversely affect our gross profit margin if such additional costs are passed on to us by our suppliers and we are unable to pass on such additional costs to our customers.

We have acquired Zhi Wei, Chiefway (PVT) and the Katunayake Factory and may experience difficulties managing and integrating operations or otherwise fail to achieve the desired benefits from the acquisitions

We have acquired Zhi Wei, Chiefway (PVT) and the Katunayake Factory, in order to increase our production flexibility and have better control over the quality of our products. For further information in relation to our acquisitions, please refer to the section headed "History, development and Reorganisation – Major acquisitions".

Nonetheless, we cannot assure you that we will be able to benefit from the acquisitions as intended. Also, we cannot assure you that our acquisitions will enable us to attract additional and continuing interest in our production lines or secure any new orders from our customers or any potential customers. If our capital expenditure spent on the acquisitions exceeds the benefits of capturing new business opportunities, our business, financial condition and results of operations may be materially and adversely affected.

Impairment of the goodwill of Zhi Wei and Chiefway (PVT) could adversely affect our business, financial conditions and results of operations

We recorded a goodwill of approximately HK\$10.9 million and HK\$2.3 million arising from the acquisitions of Zhi Wei and Chiefway (PVT) in January and February 2017, respectively. The goodwill was initially measured at cost. After initial recognition, the goodwill is measured at cost less impairment losses. For further details of our accounting policies for goodwill and their impairment and the estimates and assumptions involved therein, please refer to "4 – Significant accounting policies", "5 – Critical accounting judgement and key sources of estimation uncertainty" and "20 – Goodwill" in Appendix I to this prospectus.

Determining whether the goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. If there is any impairment of the goodwill of Zhi Wei and Chiefway (PVT) which potentially caused by our failure to successfully integrate the operations of Zhi Wei and Chiefway (PVT) with other operations, our business, financial conditions and results of operations could be adversely affected.

RISK FACTORS

We are subject to the risk of system failure caused by power cut, network interruptions and business interruption due to natural or man-made disasters

Our production facilities, in particular, the Panyu Factory, the Meegoda Factory and the Katunayake Factory, depend significantly on the reliability of power supply and our information technology system. However, there is no assurance that we will successfully maintain the satisfactory and stable performance, reliability and availability of our information technology system. Such failure may be caused by government's restrictions, unexpected power cut, network interruptions. Furthermore, our operations may also be interrupted if any of our production sites or offices suspend operations due to the occurrence of events such as fires, floods, hardware and software failures, power outage, telecommunication failure, terrorist attacks or other natural or man-made disasters.

If any of the events mentioned above occurs, our business operations may be disrupted for an indefinite period of time, thereby damaging our reputation and materially and adversely affecting our business, financial conditions and operating result.

Our sales are subject to seasonal fluctuation and hence our operating results for certain period within a calendar year or between any interim periods may not be taken as an indication of our performance for the entire calendar year

We have historically experienced seasonal fluctuations of our sales. For the years ended 31 March 2016 and 2017, the demand for our apparel products is relatively higher for the fall/winter season. As a result, customers normally place orders with us for the fall/winter collection during the first half of the year while we deliver the corresponding finished goods to our customers in around July to September of the calendar year. For the year ended 31 March 2018, the seasonal fluctuation in the demand of our apparel products levelled off primarily due to the changes in our product offering as a result of our effort to diversify our base of customers. The proportion of our sales from July to September was slightly lowered due to the reduced fall sales from Customer A. Instead, the proportion of our sales from October to March increased because of the sales of flight crew uniforms to Customer G. Therefore, the operating results of our Group for certain period within a calendar year or between any interim periods should not be taken as an indication of our performance for the entire calendar year. Furthermore, any change in our customers' spending patterns and demands, market trends or timing of festival seasons may intensify such fluctuations and adversely or seasonally affect our business, financial condition and results of operations.

We may not be able to sustain our historical financial performance and may encounter difficulties in sustaining profitability

Our total revenue amounted to approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million for the years ended 31 March 2016, 2017 and 2018, respectively. Our gross profit was approximately HK\$101.8 million, HK\$108.2 million and HK\$124.8 million for the respective year and our gross profit margin was approximately 18.3%, 16.1% and 18.4%, respectively. Our net profit margin was approximately 4.7%, 4.6% and 2.9% for the respective

RISK FACTORS

year. Our return on equity was approximately 73.8%, 46.7% and 29.1% for the years ended 31 March 2016, 2017 and 2018, respectively. For further details, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income” in this prospectus. However, our revenue, profit and return on equity during the Track Record Period may not be indicative of our future performance and we may encounter difficulties in sustaining our current profitability. Our future revenue and profitability depend on a number of factors, including the successful implementation of our future plans as stated in the section headed “Future plans and use of proceeds” in this prospectus. Our expenses may also increase in the future, which include the increase in annual rental of approximately HK\$4.5 million for our office premises. For further details, please refer to the section headed “Connected transaction” in this prospectus. Our gross and net profit margins also depend on factors including the selling prices of our products and sales volumes which are outside our control, and therefore we cannot assure you that we will be able to maintain the current level of profit margins in the future. Prospective investors should be aware that we can offer no assurances that we will be able to increase or maintain our historical revenue, profit levels or return on equity.

We are exposed to foreign exchange risks

Costs incurred during our production period may be settled by HKD, RMB, LKR and USD while payments received from our customers are mainly settled in USD. The following table summarises our assets and liabilities in currencies other than HKD and USD during the Track Record Period.

	Assets		
	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	214	135	9
EUR	2,874	–	2,379
LKR	–	131	842
	Liabilities		
	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	–	–	3
EUR	–	–	565
LKR	–	1,872	3,254

We are therefore exposed to foreign exchange risks as the exchange rates at the time we receive our orders payment from our customers may be substantially different from those when we are required to make payments to our suppliers and sub-contractors. In addition, if exchange

RISK FACTORS

rate fluctuations cause increases to our cost of sales, we may not be able to adjust our selling price promptly to pass such increment to our customers, which would negatively affect our profits. Consequently, our financial condition may be adversely affected.

Some of our customers are sensitive to social responsibility and social compliance standards. If we fail to comply with these standards, our reputation could be adversely affected and our customers may choose not to continue their business relationship with us

Our customers may face certain social environment and compliance requirements to ensure that the labour practices and factory conditions in relation to the production of their products meet certain social responsibility standards. Accordingly, we are required by our customers to fulfill and comply with certain corporate social responsibilities standards set out by them. There can be no assurance that we can comply with the social responsibility and social compliance standards at all times. If we violate certain standards and fail to rectify these violations, our customers may cease orders in progress and discontinue our business relationships. This could materially and adversely affect our business reputation, results of operations and financial condition.

We may be subject to fines for our failure to make full amount of contributions to social insurance and housing provident funds for some of our employees

During the Track Record Period, we had failed to make full contribution to social security and housing provident funds for some of our employees. The total amount of social insurance and housing provident fund contribution that Zhi Wei failed to make as at 31 March 2017 were approximately RMB1.7 million and RMB0.7 million, respectively. Our PRC Legal Advisor has advised us that the relevant PRC government authorities may nevertheless require us to pay the unpaid amount within a certain period and impose late fees and/or fines. If any competent government authority is of the view that the social security payments we paid for our employees did not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period and prior to 1 July 2011, if we fail to do so, the competent government authority may impose a late fee of 0.2% of the outstanding amount per day, whereas after 1 July 2011, the relevant authority may order us to make the unsubscribed contribution with an additional late payment at a daily rate of 0.05% of the total unpaid amount from the due date within a prescribed period and, if we fail to do so, we may be subject to a fine ranging between one to three times of the total unpaid amount. Our PRC Legal Advisor has also advised us that, if any competent government authority is of the view that the housing provident fund contributions did not satisfy the requirements under PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period and if we fail to do so, the competent government authority may seek an order for payment from the court.

In June 2017, the Guangzhou Municipal Centre of Housing Provident Fund (廣州住房公積金管理中心) issued three decisions that ordered Zhi Wei to make outstanding provident funds – totalling approximately RMB15,000. Seven notices of verification (核查通知書) were issued to Zhi Wei in September 2017, February 2018, April 2018 and July 2018 respectively that ordered

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Zhi Wei to verify whether it had outstanding housing provident funds for seven employees totalling approximately RMB57,900. As at the Latest Practicable Date, save for the three decisions and seven notices of verification issued by Guangzhou Municipal Management Centre of Housing Provident Fund (廣州住房公積金管理中心), we had not been demanded by any relevant government authorities to pay any outstanding social insurance and housing provident fund contributions nor any penalties. For further details, please refer to the section headed “Business – Legal proceedings and compliance” in this prospectus. However, we cannot assure you that we will not be subject to any order to pay the outstanding social insurance and housing provident fund contributions, nor can we assure you that there will not be any employee complaints against us regarding the payment of the social insurance and housing provident fund contributions or that we will not receive any claims in this connection under the relevant PRC laws and regulations.

Our operations may be subject to transfer pricing adjustment

We have adopted transfer pricing arrangements among our group companies in Hong Kong, the PRC and Sri Lanka to regulate intra-group trades. Our Group’s tax position may be subject to review and possible challenge by the relevant government authorities and any possible change or challenge in laws.

If our tax position is subject to review and possible challenge by the Hong Kong, PRC and/or Sri Lanka tax authorities or there is a change in the tax policy and relevant tax laws in Hong Kong, the PRC and/or Sri Lanka, it may adversely affect our Group’s financial position and results of operation. In preparing our Group’s financial information, our Directors have reviewed and assessed our Group’s transfer pricing risk as it is possible that the tax authorities may challenge our Group’s transfer pricing policy, although our Directors believe that our Group has grounds to defend against such possible challenge. Yet, there can be no assurance that our Group will not be found to be operating in breach of the relevant transfer pricing-related laws, or that such laws will not be modified, which, as a result, may require changes to our Group’s transfer pricing practices or operating procedures. Any determination of income reallocations or modifications of the relevant transfer pricing-related laws could result in an income tax assessment and other relevant charges on the portion of income deemed to be derived from the taxing jurisdiction that so reallocates the income or modifies its relevant transfer pricing-related laws. For further details, please refer to the section headed “Business – Transfer pricing arrangement” in this prospectus.

Our Group recorded negative net operating cash flow for the year ended 31 March 2017 and our liquidity and financial condition may be materially and adversely affected if our Group records negative net operating cash flow in the future

We recorded negative net operating cash flow of approximately, HK\$1.7 million for the year ended 31 March 2017. For reasons on why we incurred negative net operating cash flow, please refer to the section headed “Financial information – Cash flows – Net cash flows generated from/(used in) operating activities” in this prospectus. Our Group’s liquidity and financial condition may be materially and adversely affected should our future net operating

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cash flow become negative, and can give no assurance that our Group will have sufficient cash flow from other sources to fund the operations of our Group. If our Group resorts to other financing activities to generate additional cash, we will incur additional financing costs, and cannot guarantee that our Group will be able to obtain the financing on terms acceptable to it, or at all.

Negative net operating cash flow requires our Group to obtain sufficient financing to meet the financial needs and obligations of our Group. If our Group is unable to do so, our Group will be in default of our payment obligations and may not be able to implement our business strategies or expansion as planned. As a result, the business, financial condition and results of operations of our Group will be materially and adversely affected.

We may expose to liquidity risks arising from (i) the cash flow mismatch between the trade receivables and trade payables, (ii) net current liabilities, and (iii) high gearing ratio

In our manufacturing operations, the long trade cycle of about 180 days, which is around 120 days from our fabric purchase to the apparel product export and around 60 days for its subsequent payment from customers, will always result in cash flow mismatch. Our Directors are of the view that such mismatch is resulting from our production cycle time. In particular, we settle most of our purchases by advance payments or trust receipt loans for raw materials from our suppliers before we start our production process and sell the apparel products to our customers on payment terms of 60 days from shipment. The mismatch is also illustrated by the differences between our average trade payables turnover days and our average trade receivable turnover days. For the years ended 31 March 2016, 2017 and 2018, our average trade payable turnover days were approximately 32.1 days, 27.1 days and 26.2 days, respectively. Our average trade receivable turnover days were approximately 28.7 days, 33.3 days and 54.2 days for the corresponding years, respectively.

Our Group recorded net current liabilities of HK\$100.0 million, HK\$39.3 million and HK\$37.8 million as at 31 March 2016, 2017 and 2018, respectively. We attribute our net current liabilities during the Track Record Period to, among others, our amount due to shareholders and the bank borrowings primarily due to our business expansion and the acquisition of the Three Factories. As at 31 March 2016, 2017 and 2018, our bank borrowings amounted to approximately HK\$69.5 million, HK\$149.0 million and HK\$197.2 million, respectively, accounting for approximately 29.4%, 43.5% and 67.1% of our total current liabilities and attributed to our Group's high gearing ratio position.

Our gearing ratio was approximately 196.1%, 224.0% and 287.7% as at 31 March 2016, 2017 and 2018. Our high gearing ratio was mainly attributable to (i) our relatively smaller equity base as a private company; (ii) our reliance on bank borrowings for business acquisitions and to support the long trade cycle of about 180 days, which is around 120 days from purchase of materials to shipment of apparel products and around 60 days for its subsequent payment from customers; and (iii) distribution of dividends during the Track Record Period. For further details of our Group's gearing ratio, please refer to the section headed "Financial Information – Other key financial ratios – Gearing ratio" in this prospectus.

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If our Group fails to manage the liquidity risk arising from the (i) mismatch between the trade receivables and payable; (ii) net current liabilities; and (iii) high gearing ratio, or if the liquidated risk further deteriorates, we may curtail or defer our business expansion plans based on the availability of sufficient funds and our ability to make necessary capital expenditure or develop business opportunities in the future may be limited. As a result, our business, financial condition and results of operations will be materially and adversely affected.

Trade restrictions could materially and adversely affect our business, financial condition and results of operations

During the Track Record Period, most of our revenue was derived from the sale of our apparel products to our customers mainly located in the U.S., while we also occasionally procure raw materials from suppliers in the PRC and processed in Zhi Wei Factory. In light of the recent threats of Sino-U.S. trade war, our business may be adversely affected by trade restrictions implemented by the U.S. and the PRC government.

Responding to the U.S. proposed 25% levy on more than 1,300 imported products in the PRC's machinery, electronics, aerospace and robotics sectors, the Ministry of Commerce of the PRC announced 25% levy on 106 imported U.S. products. Although our apparel products are not affected by the proposed 25% levy, we cannot assure you it will remain unaffected in light of the uncertainties to the development of the trade war. In addition, we mainly procure raw materials from countries outside the U.S. during the Track Record Period, our customers might request our Group to procure from suppliers located in the U.S. If the any of our customers designate us to procure raw materials from suppliers located in the U.S., our cost of raw materials will increase. If we are not able to pass such additional costs on to our customers, our profit margins could be adversely affected.

In addition, if the trade war intensifies and involves apparel products made in the PRC, the U.S. apparel brands may prefer to place orders to manufacturers with production facilities outside the PRC. In such circumstance, our results of operation could be materially and adversely affected.

The uncertainty on the trade restriction policies resulting from the Sino-U.S. trade war may cause difficulties for our customers to project their purchasing plans and may cause them to reduce their orders from us, which could materially and adversely affect our financial position, business and results of operations.

If we fail to effectively manage our inventories or estimate accurately the consumption of raw materials, we may face significant excess inventories which may materially and adversely affect our business, financial condition and results of operations

As at 31 March 2016, 2017 and 2018, our inventories amounted to HK\$35.3 million, HK\$35.4 million and HK\$39.7 million, respectively, including raw materials and consumables of approximately HK\$35.3 million, HK\$34.3 million and HK\$35.0 million respectively, representing 100%, 96.8% and 88.2% of our inventories for the corresponding dates. As

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maintaining sufficient raw materials and consumables are essential to a smooth production, we generally procure a slightly extra amount of inventories based on our estimated usage in case of any unexpected event or extended voyage. As such, if we fail to manage our inventories effectively or are unable to dispose of excess inventories, we may face a risk of inventory obsolescence and/or significant inventory write-downs, which may impose pressure on our operating cash flow, and materially and adversely affect our business, financial condition and results of operations.

Loss of our key management and inability to attract and retain management staff will adversely affect our operations and financial performance

We are dependent on our executive Directors and our senior management for key aspects of our business, including sales and marketing, maintenance of customer relationships, project management and on-site supervision. For instance, our executive Director, Ms. Alice Wong, has been with us since the inception of our Group and is also supported by a team of experienced management personnel with the requisite industry expertise. Our Group's success and growth therefore depend on our ability to identify, hire, train and retain suitable, skilled and qualified key personnel, whose expertise are crucial to our operations and financial performance.

If any of our executive Directors or key personnel ceases to be involved in our Group in the future and we are unable to find suitable replacements in a timely manner, there will be an adverse impact on our business, our operations and hence, our overall financial performance.

Product liability and product recall may adversely affect our Group's results or operations

Our obligation is to ensure that the apparel products for sale are safe and bear the appropriate safety warnings depending on the nature of product in question. Our Company requires our suppliers to satisfy certain standards regarding the quality and specifications of our apparel products. However, we cannot assure you that the apparel products manufactured will not cause or have the risk of causing harm at any point in a way that exposes our Group to liability and/or requires our Group to undertake a product recall. Should we experience any event of a product recall, our Group's business, financial condition and results of operations, as well as our reputation may be materially and adversely affected. Even if the product recall is proved to be unfounded or if a product liability claim against our Group was unsuccessful or not fully pursued, our reputation with our existing and potential new customers and our corporate and brand image could be materially and adversely affected by the negative publicity surrounding any assertion that the product our Group supplied caused harm, or any product recall or allegation that the product our Group sells are defective.

Our insurance coverage may be inadequate to protect us from potential loss

We cannot assure you that we will be able to claim successfully any of our losses under our current insurance policy on a timely basis. We may suffer from substantial costs and diversion of our resources because of the occurrence of business interruption or our senior management team

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members departing. Our insurance coverage may not be sufficient to prevent us from such loss. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business and financial condition could be materially and adversely affected.

We may not be able to successfully implement our business objectives and our expansion plans may not be successful

Our business objectives are accomplished by implementing various future business plans as set out in the section headed “Future plans and use of proceeds” in this prospectus. However, such expansion plan is formulated based on assumptions as to the occurrence of certain future events, which may or may not materialise, and thus it is subject to uncertainties and risks, including but not limited to:

- lack of sufficient capital financing and potential ongoing financial obligations;
- failure to achieve the intended level of profitability;
- delays or difficulties in securing suitable new outsourced manufacturers; and
- diversion of resources and management attention.

As such, there is no assurance that our expansion plan will materialise within the planned time frame, or at all, or that our business objectives will be fully or partially accomplished. In the event that we fail to accomplish our expansion plan or to do so in a timely manner, we may not be able to achieve our planned future business growth and our operating results may be adversely affected.

We expect to incur significant costs in connection with the expansion of our business. If we are unable to generate sufficient revenue from our business or our financial needs are larger than expected, we may need to raise funds from debt or equity financing. Alternatively, we may need to make certain modifications to our current intended use of proceeds as described in the section headed “Future plans and use of proceeds” in this prospectus, which could have an adverse effect on our operations and future profitability. We also face the risk that our existing management staff, internal control systems and other systems and procedures may be inadequate to support our expansion plan. If we fail to continue to improve our infrastructure, management or operational systems required to support our expansion plan, we may be unable to achieve our expansion objectives and our business operations may be adversely affected.

We may incur liability in respect of industrial accidents at our production facilities

As our production process involves various equipment and machines, our employees are exposed to industrial accidents that may cause harm or damage to our direct labour and to our properties. Although we have undertaken preventive measures such as providing training to our employees and conduct regular inspection and maintenance of our equipment and machineries, we cannot assure you that industrial accidents will not occur in the future at our production facilities.

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Should industrial accidents occur, we may be liable for claims and penalties for violation of the applicable laws and regulations in Sri Lanka and the PRC. We may also experience interruptions in our operations and may be required to implement new safety measures. Any of the foregoing could adversely affect our business, financial condition and results of operations.

We are exposed to credit risk from our customers

As at 31 March 2016, 2017 and 2018, approximately 100.0%, 100.0% and 100.0% of our total trade receivables were due from our top five customers, respectively, and approximately 77.1%, 33.5% and 34.4% of our total trade receivables were due from our top customer, respectively. We cannot assure you that our customers will pay us on time and that they will be able to fulfill their payment obligations. If we experience any unexpected delays or difficulties in payment from our customers, our operating results and financial condition may be adversely affected. In addition, we may be exposed to further credit risks from new customers and from providing credit to our existing customers. Consequently, we cannot assure you that the risk of default by both our existing and new customers will not occur in the future.

Dividends declared in the past are not an indication of our Group's future dividend policy

For the years ended 31 March 2016, 2017 and 2018, certain operating subsidiaries of our Group declared dividends in the amount of approximately HK\$20.0 million, nil and HK\$18.0 million, respectively. However, there is no assurance that our Group will declare dividends in the future. The declaration, payment and amount of any future dividends are subject to the recommendation of our Board at its discretion depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For further details, please refer to the section headed "Financial information – Dividend" in this prospectus.

Litigation or disputes may adversely affect our performance

We may get into disputes with our customers, suppliers, employees and other parties during the ordinary course of business for various reasons. For example, disputes may arise due to substandard production or late delivery of shipments. Contractual claims may arise as a result of outstanding fees with our customers and suppliers. Personal injury compensation claims may arise as a result of industrial accidents which may occur at our production facilities.

The handling of contractual disputes, litigation proceedings can be extremely costly and time consuming. Should such disputes arise, our Directors' and senior management's attention, together with other internal resources may be significantly diverted for the handling of such matters. Moreover, our relationship with the relevant customer, supplier, third party manufacturers or employee may be adversely affected as a result of the legal proceedings and would ultimately affect our business operation, financial results and profitability.

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a competitive market and the intense competition we face from our competitors may lead to a decline in our market share and lower profit margins

Our Directors believe that participants in this industry compete on, among other things, product variety, product quality, price and the ability to meet delivery commitments to customers. Furthermore, customers are continuously demanding higher quality, shorter lead times and lower prices from their suppliers. As a result, our future success will depend on our ability to maintain an efficient, timely and cost-effective service while delivering high-quality products. If we fail to do so, we may lose our market share to other competitors or we may be forced to, among other actions, reduce prices and further increase expenditures to meet customers' standards, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our Group's business is subject to risks related to extreme changes in weather conditions and seasonality trends

Changes in weather conditions may alter end consumers' preference in products and also their consumption behaviour. Certain extreme and unpredictable weather patterns may also affect consumer spending and preferences and the choice of products they seek in response to weather changes and other disruptive events. For example, if the apparel products are not suitable to accommodate inclement or unfavourable weather conditions, our Group's sales volume may drop. Also, weather events may affect consumer purchasing priorities and household spending patterns. For instance, consumers may spend more on products that help them adapt to weather conditions, which may reduce their spending on other apparel products and in turn negatively impact our Group's sales. If our Group fails to adapt to new seasonality trends or consumer spending behaviour, our revenue and business conditions may be adversely affected.

Increase inspection procedures, tighter import and export controls and additional trade restrictions could increase our operating costs and cause disruption to our business

The apparel industry is subject to various security and customs inspections and related procedures in countries of origin and destination as well as at transshipment points. Such inspection procedures can result in the seizure of apparel products and the levying of customs duties, fines or other penalties against exporters or importers. If these inspection procedures or other controls are further tightened we may incur further costs and delays and our business could be harmed.

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An increase in the minimum wage of apparel-making factory workers and pressure to improve working condition

Pressure on the governments in countries including the PRC to increase the minimum wage of workers in apparel-making factories could increase the operating costs. If we are not able to pass on such additional costs to our customers or finding alternative ways to lower the operating costs, this may adversely affect our business operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN SRI LANKA

Social, political, regulatory, economic and legal developments, as well as any changes in Sri Lankan government policies, could materially and adversely affect our business and operating results

Our business, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Sri Lanka. Uncertainties in these areas include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or environmental or transportation regulations and methods of taxation. Any negative developments may adversely affect our business, financial condition and results of operations.

As at the Latest Practicable Date, two of our production facilities are located in Sri Lanka. Since Sri Lanka is expected to remain as one of our core places of operation in the foreseeable future, any negative developments in the Sri Lanka economy may have a material adverse effect on business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions or policies in the PRC may affect our Group's business, financial conditions and results of operations

Part of our Group's apparel production activity is based in the PRC. As a result, our Group's operations and financial results could be indirectly and adversely affected by any changes in political, economic and social conditions, or changes in the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretations thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional export restrictions. Furthermore, a significant portion of economic activities in the PRC at present are export-driven. Therefore, they are affected by the developments in the economies of the principal trading partners of the PRC and other export-driven economies. Our Group has no assurance that the PRC government will continue to pursue a policy of economic and social reform. The policies and other measures taken by the PRC government to regulate the PRC economy and social condition may adversely affect our Group's operating and financial results.

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The PRC legal system is in the process of continuous development and has inherent uncertainties that may have a material impact on our Group's business, financial conditions and results of operations

The PRC legal system is based on written statutes and prior court decisions may be cited as reference. Since 1979, a commercial law system has been established by the PRC government, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, the implementation and interpretation of these laws and regulations may involve a certain degree of uncertainty as these laws and regulations are continually evolving in response to changing economic and other conditions. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may lead to additional restrictions and uncertainties for our Group's business and uncertainties with respect to the outcomes of any legal action taken against our Group in the PRC.

Our Company may be considered a "PRC resident enterprise" under the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (the "EIT Law") and be subject to PRC enterprise income tax on its global income

Our Company is incorporated in the Cayman Islands and our Group conducts certain apparel production through our Panyu Factory. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprise" and thus will generally be subject to an EIT at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulations on the Implementation of the EIT Law effective on 1 January 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". In April 2009, the SAT promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprises groups in the PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise like our Company invested or ultimately controlled by an individual non-PRC resident.

It cannot be assured that our Company will not be considered a PRC resident enterprise for PRC enterprise income tax purpose and be subject to the uniform 25% enterprise income tax on its global income. In such case, our Company's profitability and cash flow may be materially and adversely affected as a result of its global income being tax under EIT Law. In addition, if our Company was considered a PRC resident enterprise, any dividend received by the non-resident enterprise shareholder may be subject to a withholding tax at a rate of up to 10%.

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RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

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 Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including (i) variations in the level of liquidity of our Shares; (ii) changes in securities analysts' (if any) estimates of our financial performance; (iii) investors' perceptions of our Group and the general investment environment; (iv) changes in laws, regulations and taxation systems which affect our operations; and (v) the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, or net income and cash flow, the success or failure of our efforts in implementing business and growth strategies; our involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

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Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before 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.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

The laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

The rights of the Shareholders to take action against our Directors and the rights of our minority shareholders to take actions against us and the duties of our Directors toward us and our Shareholders are governed by the common law of the Cayman Islands and our Articles of Association. In general, our corporate affairs are governed by (among other things) the law of the Cayman Islands, our Articles of Association and the Companies Law. The laws of the Cayman Islands relating to the protection of the interest of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and in other jurisdictions. For further details, please refer to the section headed “Appendix III – Summary of the constitution of our Company and Cayman Islands company law” in Appendix III to this prospectus.

RISK RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the

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appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said 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. Nevertheless, such information has not been independently verified by us, the Selling Shareholder the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ABOUT THE SHARE OFFER

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

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, 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 Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters, and any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

FULLY UNDERWRITTEN

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to us (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. A Placing

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Underwriting Agreement relating to the Placing is expected to be entered into on or around Wednesday, 10 October 2018, subject to the Offer Price being agreed. The Share Offer is managed by the Sole Global Coordinator. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before 8:00 p.m. on Wednesday, 10 October 2018. The Offer Price will be not more than HK\$0.44 per Offer Share and is currently expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.44 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.44 per Offer Share.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, with the consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published at the website of the Stock Exchange at www.hkexnews.hk and our website at www.sterlingapparel.com.hk, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 15 October 2018 or such later date as may be agreed by our Company (for ourselves) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in PRC or U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Share Offer (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of the share or loan capital 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, the Offer 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 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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second 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. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust (Cayman) Company Limited, in the Cayman Islands. All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of our Company, the Selling Shareholder the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters, their respective directors, agents or advisors and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for application for Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SELLING SHAREHOLDER

The Share Offer consists of 228,000,000 Offer Shares, of which 28,000,000 Sale Shares shall be offered for sale by the Selling Shareholder.

Details of the Selling Shareholder are set out in the paragraph headed “Statutory and general information – E. Other information – 9. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

TRADING AND SETTLEMENT

Dealings in the Shares are expected to commence on Friday, 19 October 2018. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 1825.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. 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.

LANGUAGE

If there is any inconsistency between the English names of entities and their Chinese translations, the English names shall prevail. The English translations of company names in Chinese or another language marked with “*” and the Chinese translation of company names in English or another language which are marked with “*” is for identification purposes only.

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), unless otherwise specified, or in respect of transactions that have occurred at historical exchange rates, all conversions from HK dollars into U.S. dollars were made at the rate of US\$1.00 to HK\$7.75. We make no representations and none should be construed as being made, that any of the Hong Kong dollar, RMB, Sri Lankan Rupee or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

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. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

On 8 February 2018, our Group had entered into three Tenancy Agreements as tenant with Win 18, Win 19 and Win 20 as landlords respectively. In accordance with the terms and conditions of the Tenancy Agreement, Win 18, Win 19 and Win 20 each respectively agrees to lease the Win 18 Premises, the Win 19 Premises and the Win 20 Premises from 8 February 2018 to 31 January 2021 (both days inclusive). The Tenancy Agreements and the transactions thereunder constitute continuing connected transactions of our Group under the Listing Rules upon the Listing, and are subject to the announcement requirement but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules upon the Listing.

In view of that, the Sole Sponsor on behalf of our Company, has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement in respect of such continuing connected transactions under Rule 14A.105 of the Listing Rules.

Details of the aforementioned continuing connected transactions and information in relation to the reasons, annual caps, basis and conditions for the waiver are set out in the section headed "Connected transaction – Non-exempt continuing connected transaction" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Ms. Wong Mei Wai Alice (王美慧)	Duplex 9, 8 & 9/F, Block 10 Dynasty Villa Dynasty Heights 2 Yin Ping Road Kowloon Hong Kong	Chinese
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Mr. Siu Yik Ming (蕭翊銘)	Duplex 8, 8/F, Block 10 Dynasty Villa Dynasty Heights 2 Yin Ping Road Kowloon Hong Kong	Chinese
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Mr. Chung Sam Kwok Wai (鍾國偉)	Flat C, 19/F, Tower 3 Ocean Pointe 8 Sham Tsz Street Sham Tseng New Territories Hong Kong	Canadian
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Non-executive Director

Mr. Choi Siu Wai William (蔡少偉)	Flat A, 27/F, Tower 2 Regent On The Park 9A Kennedy Road Hong Kong	British
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Chan Kee Huen Michael (陳記煊)	Room 501, 5/F Block B The Dahfuldy 21 Ho Man Tin Hill Road Kowloon Hong Kong	Australian
Mr. Cheng King Hoi Andrew (鄭敬凱)	Flat E, 2/F Evelyn Towers 38 Cloud View Road North Point Hong Kong	Chinese
Mr. Ko Ming Tung Edward (高明東)	Flat C, 5/F Paxton 313 Prince Edward Road West Kowloon City Kowloon Hong Kong	Chinese

For further details, please refer to the section headed “Directors, senior management and staff” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road
Central
Hong Kong
(a licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined in the SFO)

Sole Global Coordinator

Alpha Financial Group Limited
Room A, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong
(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined in the SFO)

Joint Bookrunners and Joint Lead Managers

Alpha Financial Group Limited
Room A, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong
(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined in the SFO)

Great Roc Capital Securities Limited
Suite 1601–1603, 16/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Central
Hong Kong
(a licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO)

Co-Managers

AFG Securities Limited
Room B, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong
(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined in the SFO)

Elstone Securities Limited
Suite 3712, 37/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Central
Hong Kong
(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined in the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Grand Partners Securities Limited

9/F
Connaught Harbourfront House
35–36 Connaught Road West
Hong Kong
*(a licensed corporation carrying on type 1
(dealing in securities) regulated activity as
defined in the SFO)*

I Win Securities Limited

Room 1916
Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong
*(a licensed corporation carrying on type 1
(dealing in securities) regulated activity as
defined in the SFO)*

Wealth Link Securities Limited

Unit B1, 5/F
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong
*(a licensed corporation carrying on type 1
(dealing in securities) and type 4 (advising on
securities) regulated activities as defined in the
SFO)*

Legal advisors to our Company

As to Hong Kong law

Michael Li & Co

19th Floor, Prosperity Tower
No. 39 Queen's Road
Central
Hong Kong

As to PRC law

GFE Law Office

Units 3409–3412
Guangzhou CTF Finance Center
No. 6 Zhujiang Road East
Zhujiang New Town
Guangzhou, PRC

As to Sri Lanka law

F J & G de Saram

216 de Saram Place
Colombo 10
Sri Lanka

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisor to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law</i> Addleshaw Goddard (Hong Kong) LLP 802–804 Champion Tower 3 Garden Road Central Hong Kong
Auditor and Reporting Accountants	BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Market research consultant	Ipsos Limited 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Compliance advisor	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	18–20/F, Win Plaza 9 Sheung Hei Street San Po Kong Kowloon Hong Kong
Company’s website	www.sterlingapparel.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Leung Kin Chuen (梁堅存) <i>Certified Public Accountant, Hong Kong</i> 18–20/F, Win Plaza 9 Sheung Hei Street San Po Kong Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Chung Sam Kwok Wai (鍾國偉) 18–20/F, Win Plaza 9 Sheung Hei Street San Po Kong Kowloon Hong Kong Mr. Siu Yik Ming (蕭翊銘) 18–20/F, Win Plaza 9 Sheung Hei Street San Po Kong Kowloon Hong Kong
Audit Committee	Mr. Chan Kee Huen Michael (陳記煊) (<i>Chairman</i>) Mr. Cheng King Hoi Andrew (鄭敬凱) Mr. Ko Ming Tung Edward (高明東)

CORPORATE INFORMATION

Remuneration Committee

Mr. Ko Ming Tung Edward (高明東) (*Chairman*)
Ms. Wong Mei Wai Alice (王美慧)
Mr. Choi Siu Wai William (蔡少偉)
Mr. Chan Kee Huen Michael (陳記煊)
Mr. Cheng King Hoi Andrew (鄭敬凱)

Nomination Committee

Mr. Choi Siu Wai William (蔡少偉) (*Chairman*)
Ms. Wong Mei Wai Alice (王美慧)
Mr. Chan Kee Huen Michael (陳記煊)
Mr. Cheng King Hoi Andrew (鄭敬凱)
Mr. Ko Ming Tung Edward (高明東)

Principal share registrar and transfer office in the Cayman Islands

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

Branch share registrar and transfer office in Hong Kong

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

Principal banks

Standard Chartered Bank (Hong Kong) Limited
12th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road
Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road
Central
Hong Kong

OCBC Wing Hang Bank Limited
161 Queen's Road
Central
Hong Kong

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, unless otherwise specified, from various official government publications and from the market research report prepared by Ipsos. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading. However, the information in this section has not been independently verified by us, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters, any of their respective affiliates, directors or advisers or any other persons or parties, except Ipsos, involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

Ipsos is wholly owned by Ipsos Group S.A. founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. We agreed to pay Ipsos a fee of HK\$818,000 for the preparation of the Ipsos Report.

Research methodology

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

ASSUMPTION AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

(1) It is assumed that the demand and supply of products and services in the global apparel industry are stable over the forecast period. (2) It is assumed that no external shocks, such as financial crises or natural disasters, will influence the demand and supply in the global apparel industry over the forecast period.

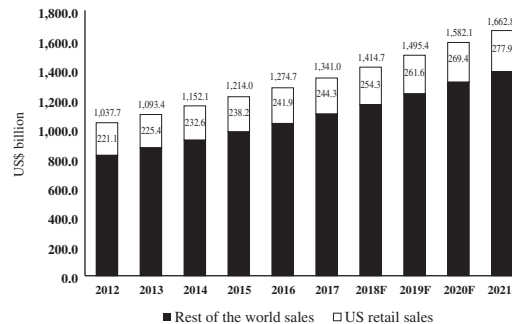
INDUSTRY OVERVIEW

The following parameters are used in the market sizing and forecasting model in the Ipsos Report:

- (1) GDP and GDP growth rate in Sri Lanka, the PRC and the U.S. from 2012 to 2017.
- (2) Export value of the apparel products from Sri Lanka and the U.S. from 2012 to 2017.
- (3) Export value of the apparel products from the PRC from 2012 to 2016.
- (4) Exchange rate of the Sri Lanka Rupee to the U.S. dollar from 2012 to 2017.
- (5) Exchange rate of the RMB to the U.S. dollar from 2012 to 2017.

OVERVIEW OF THE GLOBAL AND U.S. APPAREL RETAIL MARKET

The graph below sets forth the global retail sales value and retail sales value in the U.S. of apparel products from 2012 to 2017 and forecast from 2018 to 2021:



Note: Forecast data are subject to any new information published.

Source: Ipsos research and analysis

The global retail sales value of apparel products increased from US\$1,037.7 billion in 2012 to US\$1,341.0 billion in 2017, representing a CAGR of approximately 5.3%. During the forecast period from 2018 to 2021, the global retail sales value of apparel products is expected to grow steadily at a CAGR of approximately 5.5%, from US\$1,414.7 billion in 2018 to US\$1,662.8 billion in 2021. Emerging economies are expected to support the growth of the global sales value of apparel products during the forecast period. In 2017, the womenswear segment accounted for approximately 50% of the global retail sales value of apparel products while the menswear segment accounted for approximately 30% and childrenswear accounted for the remaining approximately 20%.

The retail sales value of apparel products in the U.S. witnessed moderate growth, increasing from US\$221.1 billion in 2012 to US\$244.3 billion in 2017, at a CAGR of approximately 2.0%. This was partly supported by the moderate increase in disposable income per capita from US\$41,250 in 2012 to US\$44,110.0 in 2017 (CAGR approximately 1.3%) in the U.S.. It is expected that the steady growth in the retail sales value of apparel products in the U.S. will continue over the forecast period, from US\$254.3 billion in 2018 to US\$277.9 billion in 2021 (CAGR approximately 3.0%).

INDUSTRY OVERVIEW

Group's market share to the total import value of apparel in the U.S.

U.S. apparel imports reached US\$83.6 billion in 2017, growing at a CAGR of 0.7% between 2012 and 2017. Our Group recorded approximately HK\$676.9 million (equivalent to US\$87.3 million) for the year ended 31 March 2018. With 92.6% revenue generated from U.S. market, it can be concluded that our Group accounted for a share of approximately 0.1% of the total import value of apparel in the U.S. for the year ended 31 March 2018.

OVERVIEW OF HONG KONG'S APPAREL INDUSTRY

Although Hong Kong once had a significant local apparel manufacturing industry, Hong Kong apparel companies have mostly relocated their production to mainland China and other countries. However, Hong Kong remains a global hub for apparel sourcing. The Hong Kong offices of apparel companies are now mostly engaged in design, raw materials procurement, sourcing, supply chain management, quality control, marketing and finance. Many Hong Kong based apparel companies have strong relationships with key overseas apparel buyers as well as with production facilities in mainland China and Southeast Asia. There were approximately 609 apparel manufacturers registered in Hong Kong in 2017.

In addition, the export value of apparel products from Hong Kong recorded a decline from US\$21.3 billion in 2012 to US\$13.7 billion in 2017 at a CAGR of approximately -8.4%. The decline was due to the decrease in re-exports of Chinese produced apparel products through Hong Kong because of the shifting of apparel production from the PRC to lower cost countries in Southeast Asia. In addition, many Hong Kong-based apparel companies manage apparel supply chains but do not export or re-export their products through Hong Kong. In 2017, the U.S. was the largest export destination of apparel products from Hong Kong, accounting for approximately 37.2% of Hong Kong's total apparel products export value.

OVERVIEW OF THE GLOBAL APPAREL MANUFACTURING INDUSTRY

The apparel manufacturing industry has gradually shifted to countries with ever cheaper production and labour costs. Although the PRC remains a dominant player, countries such as Sri Lanka, Bangladesh, Vietnam, Indonesia, Cambodia and Thailand have become increasingly significant apparel exporters. Developed economies in Europe and the United States continue to serve as the major consumer markets. However, emerging economies such as India and the PRC are becoming increasingly significant drivers of demand.

The total global export value of apparel products increased slightly from 2012 to 2017 at a CAGR of approximately 2.2%, from US\$405.1 billion in 2012 to US\$452.7 billion in 2017. In 2017, the PRC was the world's largest exporter of apparel products, accounting for approximately 32.2% of the total global export value.

OVERVIEW OF THE APPAREL MANUFACTURING INDUSTRY IN SRI LANKA

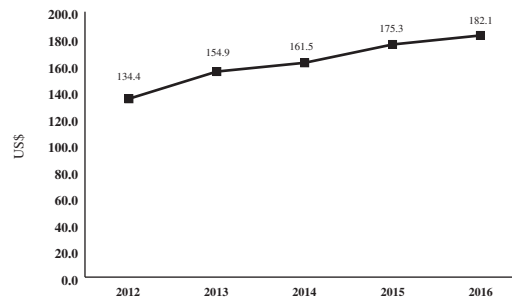
Sri Lanka has emerged as a prominent global destination for apparel manufacturing. The country enjoys preferential trade arrangements with the European Union (the "EU"), including having Generalised System of Preferences Plus ("GSP Plus") status from May 2017 which removes EU import duties on Sri Lankan products. Sri Lanka's cost of labour is lower than the PRC which enables apparel manufacturers to lower their production costs. The country is known among buyers as a relatively ethical sourcing destination due to manufacturer's compliance with various international labour and environmental initiatives.

INDUSTRY OVERVIEW

Sri Lankan apparel manufacturers face increasing competition from countries with a lower cost of labour, such as Bangladesh. This competitive environment is causing Sri Lankan manufacturers to shift from high volume production towards niche product lines with higher value added. Leading manufacturers have established themselves as suppliers of specialised products, such as premium casualwear and lingerie.

Sri Lanka's total apparel products export value reached US\$4.7 billion in 2017 and grew at a CAGR of approximately 4.6% between 2012 and 2017. The increase was due to an increasing supply of middle- to high-priced products to its major export markets, being the U.S. and the EU. The export value decreased in 2015 due to the appreciation of the U.S. Dollar and the decrease in the trade value of exports to the U.S.. In 2017, the top export destination of apparel products from Sri Lanka was the U.S., accounting for approximately 45.2% of the total export value. The export value of apparel products from Sri Lanka is expected to increase steadily due to the implementation of GSP Plus in May 2017, which is likely to drive exports of apparel products to the EU.

The graph below sets forth the monthly average wage of industrial sector workers in Sri Lanka from 2012 to 2016:



Notes:

- (1) Data refers to mean monthly wage in the industry sector, which includes (i) mining and quarrying, (ii) manufacturing, and (iii) construction, electricity, gas, steam, and air conditioning supply, water supply, sewerage, waste management and remediation activities.
- (2) 2017 data is not available up to the Latest Practicable Date.

Source: Department of Census and Statistics, Sri Lanka

The monthly average wage in Sri Lanka reached US\$182.1 in 2016 from US\$134.4 in 2012, growing at a CAGR of approximately 7.9%. In 2015, the government passed a bill in parliament to establish the minimum wage at LKR10,000 per month (equivalent to US\$73.7), although the actual wage paid is generally higher when allowances and overtime payments are included.

COMPETITIVE LANDSCAPE OF THE APPAREL MANUFACTURING INDUSTRY IN SRI LANKA

According to the Export Development Board (EDB) of Sri Lanka, there were approximately 300 to 350 apparel manufacturers in Sri Lanka in 2017. Most companies in the apparel manufacturing industry are relatively small and generally employ less than 500 workers at a single factory. However, there are several full-service apparel solutions providers headquartered in Sri Lanka. These companies are vertically integrated and engage in design, textile manufacturing, apparel manufacturing and supply chain management. They generally have multiple factories in Sri Lanka as well as overseas.

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Market drivers

Rising prices in the PRC increasing Sri Lanka's relative cost advantage

It is expected that China's global dominance in apparel exports will weaken in the coming years due to rising labour and production costs. Apparel manufacturing companies are therefore looking to move production to lower cost destinations such as Sri Lanka.

Increasing government support

In 2017, the Sri Lankan government announced the formation of a textile cluster in order to support backward integration in the industry. By encouraging the development of domestic upstream apparel industries, the entire apparel industry may benefit from lower raw material costs and quicker procurement. More broadly, to promote investments, any domestic or foreign company investing US\$5 million to US\$100 million (excluding the value of land) in Sri Lanka will be provided a grant of 5% of the investment at the end of its second year of operation. This policy may further increase the attractiveness of Sri Lanka as an apparel manufacturing location.

Opportunities

Improving logistics and transportation links

Sri Lanka's transportation links are benefiting from China's 'One Belt One Road' policy, which has resulted in substantial investments in ports and highways in Sri Lanka. This represents an opportunity to the apparel manufacturing industry in Sri Lanka as it reduces domestic logistics costs and lead times. In addition, it is anticipated that apparel manufacturers in Sri Lanka will be able to increase trade with the PRC and other emerging markets, thus diversifying the number of apparel export destinations.

Threats and challenges

Reliance on a small number of export markets

The Sri Lankan apparel industry is focused on a relatively small number of export markets, specifically the U.S. and the EU. A decline in demand for apparel products in these major markets may therefore have a significant negative impact on the apparel manufacturing industry in Sri Lanka.

Emergence of alternative competing apparel manufacturing destinations

The apparel manufacturing industry has historically shifted to ever cheaper production locations. If the cost of labour in Sri Lanka rises at a faster rate than productivity, or if Sri Lankan manufacturers are unable to transition towards high-end production, there is a risk that apparel buyers will source apparel from lower cost countries. There are several low-cost countries with emerging apparel manufacturing industries, such as Myanmar and Ethiopia.

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Entry barriers

High capital investment required

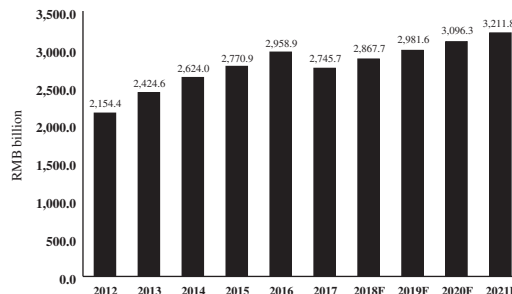
New entrants to the apparel manufacturing industry are required to make a considerable initial capital investment in advanced production equipment. Although the apparel manufacturing industry is generally less capital intensive than other types of manufacturing industry, the Sri Lankan apparel manufacturing industry's focus on more high-end apparel products may require more advanced production equipment.

OVERVIEW OF THE APPAREL MANUFACTURING INDUSTRY IN THE PRC

Although many apparel manufacturers have adopted a 'China plus one' strategy of seeking alternative lower cost production locations, the apparel manufacturing industry in the PRC remains well known amongst apparel buyers for high quality apparel produced through advanced production techniques. China's qualified labour force with diverse skills in different apparel manufacturing techniques provides a considerable advantage over emerging markets. In addition, China's complete supply chain enables lower cost and rapid sourcing of raw materials. The production lead time in the PRC, therefore, may be shorter than competitors in emerging markets.

During the whole historical period from 2012 to 2016, the value of apparel product exports from the PRC recorded an overall decrease at a CAGR of approximately -0.1%. The value of apparel products increased from US\$148.3 billion in 2012 to US\$173.4 billion in 2014, thereafter declining to US\$147.8 billion in 2016. The decline in export value from 2014 to 2016 was due to declining apparel product demand in key export destinations and the relocation of apparel products production to lower cost countries. However, the apparel product manufacturing industry in the PRC retains its competitive advantage due to the mature and well-established supply chain and pool of experienced and skilled labor. Therefore, despite the current relocation trend in the apparel manufacturing industry, China's export value of apparel products are expected to remain relatively stable in the forecast period.

The graph below sets forth the sales value of apparel manufacturing in the PRC from 2012 to 2017 and forecast from 2018 to 2021:



Note: Forecast data are subject to any new information published.

Sources: National Bureau of Statistics of The PRC; Ipsos research and analysis

INDUSTRY OVERVIEW

The sales value of the apparel manufacturing industry in the PRC increased from RMB2,154.4 billion in 2012 to RMB2,745.7 billion in 2017 at a CAGR of 5.0%. The growth was driven by the strengthened domestic demand and stable global demand for apparel products. The gradual transition towards mid- and high-priced apparel manufacturing contributed to an increase in the unit sales price of apparel manufactured in the PRC, thus driving the industry sales value. The slight dip in total sales value of apparel manufacturing in the PRC during 2016 and 2017 was mainly attributed to the two reasons: (1) the reduced foreign orders due to the shifting of retailers' preferences over emerging markets with lower labour cost; and (2) the instability incurred during the process of industrial restructuring that impacted the sales of the apparel and textile manufacturing industries in the PRC.

Over the forecast period from 2018 to 2021, the sales value is expected to increase gradually from approximately RMB2,867.7 billion in 2018 to RMB3,211.8 billion in 2021 at a CAGR of 3.8%. The sales value is expected to grow at a slower rate for several reasons. Firstly, the demand for the PRC manufactured apparel products in key export markets is expected to be lower than in the historical period. Secondly, the apparel manufacturing industry has reached maturity in terms of production efficiency and capability, which leaves few opportunities for significant industrial expansion. Thirdly, labour costs have risen rapidly which has driven production to lower cost countries. Nevertheless, the sophisticated manufacturing capabilities of companies in the PRC, especially for mid- to high-priced apparel products production, will continue to drive industry growth over the forecast period. The Chinese consumer market is expected to grow, thus supporting apparel products production for the domestic market.

Impact of the sequential trade tensions in the apparel manufacturing industry in the PRC remains minimal. The first round of tariffs was announced on 15 June 2018, placed an additional 25% ad valorem duty on US\$50 billion worth of Chinese-imported goods. Out of the US\$50 billion worth of Chinese-imported goods, additional ad valorem duty on US\$34 billion worth of goods came into effect on 6 July 2018.

The second round of tariffs announced on 1 July 2018, proposing an additional 10% ad valorem duty on approximately US\$200 billion worth of Chinese-imported goods, will not take effect before September 2018. The first and second rounds of tariffs targeting on industrial, advanced technology, machinery, and intellectual property products that central to the PRC's "Made in China 2025" initiative, will have no material impact on the apparel industries in both the U.S. and the PRC.

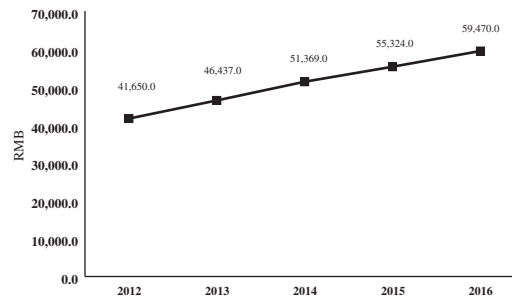
The imposition of the third-round tariffs with an additional 10 percent ad valorem duty on approximately US\$200 billion worth of Chinese-imported goods. Industry sectors subject to the third list of additional tariffs mainly include textiles, accessory and travel goods products, composing a list of approximately 6,031 tariff subheadings. Apparel and garment products with HS code 61 and 62 such as sweaters, jeans, and work dresses are exempted from the list, hence potential impacts brought by the additional tariffs remain minimal on the apparel manufacturing industries in the PRC.

In light of the uncertainties over the trade war, apparel manufacturers may choose to seek for contingencies by stepping out of the country. Diversification of their manufacturing base by setting up factories and utilizing production in countries such as Vietnam, Bangladesh, and Sri

INDUSTRY OVERVIEW

Lanka could be the tactic to increase flexibility in production and mitigate any risks in further price increase due to tariffs, inflation, and currency fluctuations.

The graph below sets forth the average yearly wage of workers in the manufacturing industry in the PRC from 2012 to 2016:



Note:

(1) 2017 data is not available up to the Latest Practicable Date.

Source: National Bureau of Statistics of China

The average yearly wage of workers in the manufacturing industry in the PRC increased from RMB41,650.0 in 2012 to RMB59,470.0 in 2016, representing a CAGR of 9.3%. The increase is attributed to increasing inflation and decreasing labour supply. The size of the labour force has been gradually decreasing due to the ageing population and low birth rate. As companies in the apparel manufacturing industry experienced considerable difficulty recruiting and retaining skilled labour in recent years, many companies offered workers higher wages.

COMPETITIVE LANDSCAPE OF THE APPAREL MANUFACTURING INDUSTRY IN THE PRC

According to the National Bureau of Statistics of the PRC, in 2016 there were 15,445 apparel manufacturers with annual sales over RMB5 million. Given the large number of companies, the market competition is considered high. As stated in the 13th Five Year Plan published in 2016, the Chinese government is encouraging the apparel manufacturing industry to transition from labour intensive manufacturing to middle- to high priced apparel manufacturing by 2020. Given the current transition, the tightening environmental regulations and increasing competition from South and Southeast Asian countries, such as Sri Lanka, Vietnam and Bangladesh, China's apparel manufacturing industry experienced slower growth in recent years. Consequently, it is expected that the industry will become more concentrated and an increasing number of apparel manufacturers will target the middle- to high priced apparel products market.

Market drivers

Alterations in the export tax rebate system

In May 2015, the General Office of the State Administration of Taxation altered the export tax rebate management system, cancelling the VAT Invoice Verification Process for enterprises with a level A Tax Credit Rating (SAT Public Notice [2016] No. 7). The policy alteration reduces the number of documents required for the tax rebate application and increases the tax rebates rates in several provinces. The renewed export tax rebate system is expected to shorten the tax rebate process for enterprises as well as increase the tax rebate rates. Consequently, the

INDUSTRY OVERVIEW

policy may improve enterprises cashflow, allowing them to partake in larger projects with higher capital demand. This measure, therefore, may bolster the industry's growth potential amongst rising competition from emerging markets. The tax rebate system further benefits the apparel manufacturing industry from increasing the tax rebate rate of apparel products to 17%, which may allow the decline in apparel prices when the products are exported. As our Group currently supplies apparel products to customers in the U.S. and Europe, the alteration of the export tax rebate system may benefit our Group from shortening the tax rebate time and reducing the production cost.

Continued depreciation of the RMB from 2015 to 2017

The continuous depreciation of the RMB against the USD since August 2015 helps to increase export income and boost the competitiveness of exports, therefore driving industry growth. As exports remain a significant component of the apparel manufacturing industry in the PRC and export-orientated market players receive payments in foreign currency, the softening of the RMB from 2015 to 2017 increased profitability. In conclusion, the continued depreciation of the RMB formed one of the growth drivers by increasing the competitiveness of exports from the PRC as a result of lower procurement costs of importing apparel products from the PRC to countries trading in USD while holding the other factors constant. As our Group conducts our business in USD/HKD, while the HKD is pegged to the USD, the continued depreciation of the RMB is also considered to benefit our Group when dealing business in the PRC, due to the lower production cost when using USD/HKD as the currency of settlement with the other factors holding constant.

Increasing innovation and application of automation equipment

The increasing utilisation of automation equipment in the apparel manufacturing industry may partially alleviate the impact of rising labour costs, facilitate production efficiency and increase production quality. According to the 13th Textile Industry Development Plan (2016–2020) published by the Ministry of Industry and Information Technology in September 2016, the government aims to give priority to bolstering innovation in fully-automated equipment and to propel 'smart' and 'green' manufacturing. The rising trend of innovation and automation in apparel manufacturing equipment helps to improve in the productivity and profitability of the apparel manufacturing industry which therefore may drive industry growth.

As the apparel manufacturing industry is a labour-intensive industry, the industry as a whole as well as the Company might benefit from the automation equipment to improve their productivity and flexibility of the production, and may also reduce the labour cost.

Opportunities

Technical transition towards higher quality apparel products

Given the considerable increase in production costs, many China-based apparel manufacturers are seeking to transition towards higher value-added products. Although production costs are lower in emerging markets, apparel manufacturers in such countries are less able to produce high value-added products which require sophisticated production techniques. This presents an opportunity for the apparel manufacturing industry in the PRC to continue the

INDUSTRY OVERVIEW

transition from high-volume low-end production to higher value-added output. Such transition formed a new market position for the apparel manufacturing industry in the PRC and attracts more international customers from the high-end market. Hence, it further boosts the revenue of the apparel manufacturing industry in the PRC.

Our Group has a long experience in manufacturing high value-added products. Hence, our Group has an advantage to compete with other factories when customers seek for a factory to provide OEM services for higher value-added products in the PRC.

Increasing domestic demand

The Chinese domestic apparel market has a high growth potential due to rising household incomes and increasing willingness to spend on apparel. Apparel retail sales in the PRC grew at a CAGR of over 8% between 2012 and 2016. According to a survey by the HKTDC in 2015, the average annual spending per capita on apparel products was approximately RMB4,000.0 in the year prior to the survey, and is likely to further increase. This represents an opportunity for the apparel manufacturing industry in the PRC to increase their production for domestic sales.

The demand for apparel manufacturing services is expected to increase due to the expanding domestic market.

Threats and challenges

Rising labour costs reduce profitability

High labour cost continues to reduce profitability in the apparel manufacturing industry in recent years. The minimum monthly salary is established at the provincial level depending upon the demand and supply of labour. In Guangdong province, according to the Guangdong Provincial Department of Human Resources and Social Security, the minimum monthly salary of first-tier regions (including Guangzhou City) was established at RMB2,100 in July 2018, a 35.5% increase compared to 2013. The minimum wage is expected to grow at an average of approximately 19% per year in the coming years. This may undermine the growth of the apparel manufacturing industry in the PRC, especially affecting apparel manufacturers without automation equipment whom rely heavily on labour-intensive production.

Tightening environmental regulations

China's 13th Five Year Plan in September 2016 and the Environment Protection Tax Law (中華人民共和國環境保護稅法) (be effective from 1 January 2018) issued by the Standing Committee of the National People's Congress of the People's Republic of China represent increasingly stringent environmental regulations. These regulations will impact the upstream printing and dyeing segments of the textile sector most significantly, as they are generally amongst the heaviest polluters, and are required to invest in more environmentally friendly production facilities. This may thus increase the raw material costs of the apparel manufacturing industry and further reduce the relative price competitiveness of the PRC as an apparel manufacturing location.

INDUSTRY OVERVIEW

Entry barriers

High capital investment due to increasing technical requirements

As mentioned above in relation to the entry barriers in Sri Lanka, high capital investment requirements represent an entry barrier to the apparel manufacturing industry. As there is an increasing demand for a wider variety of apparel manufacturing from Chinese manufacturers, new entrants need to acquire a larger variety of technologically advanced equipment which requires higher capital commitment. Moreover, the tightening of environmental regulations increases the barriers to entry for new entrants because they need to acquire more advanced equipment which comply with the regulations.

Difficulty in recruiting skilled labour

As the apparel manufacturing industry largely remains a labour-intensive industry, the increasing difficulty in recruiting skilled labour may pose a barrier for new entrants. Skilled workers also have a relatively strong bargaining power to demand higher wages, which subsequently increases operating costs for apparel manufacturers. The difficulty in recruiting sufficient workers will pose considerable barriers to entry for new entrants, especially those who rely on labour-intensive production methods.

PRICE TREND OF RAW MATERIALS

The table below sets forth the global cotton price and price index of textile products in the PRC from 2012 to 2017:

Name	Unit	2012	2013	2014	2015	2016	2017
Global cotton price	US\$ cents per pound	89.2	90.2	83.1	70.4	74.2	83.6
Price index of textile products in the PRC	Price index (2011=100)	104.0	106.1	108.7	110.3	111.9	N/A

Notes:

- (1) Price index 2011=100.
- (2) 2017 price index of textile products in the PRC will be available in Q4 2018.
- (3) Textile products refer to yarns and threads made of natural or artificial fibres.

Source: Cotton Outlook Ltd. and National Bureau of Statistics of China.

The global cotton price decreased from US\$89.2 cents per pound in 2012 to US\$83.6 cents per pound in 2017, representing a CAGR of -1.3%. The decline in price was largely due to the declining cotton price in the PRC. The Chinese government sought to reduce the inventory of cotton in 2014, thus increasing the supply in the market and lowering the price.

On the other hand, the price index of textile products in the PRC increased from 104.0 in 2012 to 111.9 in 2016, at a CAGR of 1.8%. The increase was driven by the rising labour costs and the price of upstream raw materials. In addition, there has been a growth of advanced textile product development, such as high-performance fibres, which are priced higher.

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FOREIGN EXCHANGE RATES

The table below sets forth the historical exchange rate of the US\$ to RMB and US\$ to Sri Lankan Rupee from 2012 to 2017:

Currency	Unit	2012	2013	2014	2015	2016	2017
US\$ to RMB	US\$/RMB	6.3	6.2	6.1	6.2	6.6	6.7
US\$ to Sri Lanka Rupee	US\$/LKR	127.6	129.1	130.6	135.9	145.5	152.5

Source: The People's Bank of China and X-Rates

The exchange rate of USD to RMB experienced an overall appreciation from USD/RMB6.3 in 2012 to USD/RMB6.7 in 2017 at a CAGR of 1.2%. In addition, the exchange rate of the USD to Sri Lankan Rupee experiences an overall appreciation from USD/LKR127.6 in 2012 to USD/LKR152.5 in 2017 at a CAGR of 3.6%. Although the recent appreciation of the USD to Sri Lankan Rupee may bolster Sri Lanka's export sector, the considerable reliance on imported raw materials indicates that appreciation is unlikely to have a significant effect in boosting exports.

REGULATORY OVERVIEW

The manufacturing of our apparel products are mainly carried out in our production facilities located in the PRC and Sri Lanka and our trading and sales operations are mainly carried out in our headquarters in Hong Kong. A majority of our products are sold to the U.S. market. This section summarises certain aspects of laws and regulations in Hong Kong, the PRC and Sri Lanka, which are material to our business and operations.

LAWS AND REGULATIONS IN HONG KONG

The general rules and regulations in Hong Kong are applicable to our Group but there is no specific regulatory framework in Hong Kong which governs our Group's principal business, namely apparel manufacturing. The following sets out the general rules and regulations in Hong Kong relating to: (A) the business operation of our Group; (B) the employment of our Group's employees; and (C) the health and safety of our Group's employees, which are applicable to our Group.

A. Business Operation of our Group

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance codifies the laws relating to the sale of goods, which is applicable to our Group's business activities. It provides that:

- (a) there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;
- (b) there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Any right, duty or liability which arises under a contract of sale of goods by implication of law may be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

REGULATORY OVERVIEW

Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong)

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) aims to consolidate and amend the laws with respect to the terms to be implied in contract for the supply of services. This Ordinance applies to contracts for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire. Some sections of this Ordinance are applicable to our Group's business:

- (a) there is an implied term that the supplier will carry out the service with reasonable care and skill where the supplier is acting in the course of a business; and
- (b) where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service within a reasonable time if the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties.

B. Employment of our Group's employees

Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong)

The Minimum Wage Ordinance establishes a statutory minimum wage regime to provide for a minimum wage at an hourly rate for employees employed under a contract of employment under the Employment Ordinance (Chapter 57 of the laws of Hong Kong), save for stipulated exceptions.

Statutory minimum wage has come into force since 1 May 2011. With effect from 1 May 2017, the minimum rate is set as HK\$34.5 per hour. Concurrently, the monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised from HK\$13,300 per month to HK\$14,100 per month.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

The Minimum Wage Commission must report on any recommended changes in statutory minimum wage at least once in every 2 years to the Chief Executive in Hong Kong, and the Chief Executive may adjust the statutory minimum wage having regard to such recommendation.

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Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong)

Under the Mandatory Provident Fund Schemes Ordinance, employers are required to enrol their regular employees (except for certain exempted persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“MPF”) scheme within the first 60 days of employment.

It is mandatory for both employees and employers to make regular contributions into an MPF scheme. For example, subject to the maximum and minimum levels of income (effective from 1 June 2014, HK\$30,000 and HK\$7,100 per month respectively), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500 currently. Employers are also required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income HK\$30,000.

C. Health and Safety of our Group’s Employees

Employees’ Compensation Ordinance (Chapter 282 of the laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries. In particular, an employer is liable to pay compensation in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment. Under the Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees. An employer who fails to comply with the Employees’ Compensation Ordinance to secure an insurance cover is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for two years.

Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection of employees in workplaces. It is applicable to both industrial and non-industrial setting. Pursuant to section 6(1), employers must, as far as reasonably practicable, ensure the safety and health at work of all the employees by, for example:

- (a) providing such information, instruction, training and supervision to employees as may be necessary to ensure, so far as reasonably practicable, safety and health; and
- (b) providing and maintaining work environment that is, so far as reasonably practicable, safe and without risks to health.

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An employer who fails to comply with section 6(1) intentionally, knowingly or recklessly commits an offence and is liable on conviction to a maximum fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices to the employers for contravening this Ordinance, or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a maximum fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

LAWS AND REGULATIONS IN THE PRC

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

A. Wholly Foreign-owned Enterprise

Under the Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, and the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017) (外商投資產業指導目錄) (2017年修訂) (the “**Catalogue**”), which was promulgated and amended from time to time jointly by the National Development and Reform Commission (the “**NDRC**”) and the MOFCOM, projects with foreign investment shall fall into four categories, namely foreign investment encouraged industries, foreign investment permitted industries, foreign investment restricted industries and foreign investment prohibited industries. Industries not listed in the Catalogue are permitted industries unless specifically prohibited or restricted by other PRC laws and regulations. On 28 June 2018, the NDRC and the MOFCOM jointly issued the Special Management Measures for Foreign Investment Access (negative list) (2018) (外商投資准入特別管理措施(負面清單) (2018年版)) (the “**Negative List**”) which became effective as from 28 July 2018. The special management measures for foreign investment access (the negative list for foreign investment access) in the Catalogue, including two categories in relation to the foreign investment restricted industry and the foreign investment prohibited industry, were concurrently repealed. The Negative List enumerates the special management measures for foreign investment access, such as the requirements of equity interest and senior executives. Industries which do not fall within the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labor matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法, the “**Foreign-Invested Enterprise Law**”), which was promulgated by the Standing Committee of the National People’s Congress (全國人大常委會) (the “**SCNPC**”) on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Rules of the

REGULATORY OVERVIEW

Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated by the Department of the Foreign Economic and Trade of the PRC on 12 December 1990 and amended by the State Council on 12 April 2001 and 19 February 2014.

Pursuant to The Decision of the SCNPC on Revising Four Laws including Wholly Foreign-owned Enterprise Law of the People's Republic of China (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定), which was promulgated by SCNPC on 3 September 2016 and with effect from 1 October 2016, the establishment of wholly-foreign-owned enterprise does not involve the implementation of special access administrative measures prescribed by the state, the approval items stipulated in breakup, merger or any other major change are subject to record-filing management.

Pursuant to The Announcement of the NDRC and the MOFCOM [2016] No. 22 (國家發展和改革委員會、商務部公告2016年第22號) (the “**Announcement No. 22**”), which was promulgated on 8 October 2016, the scope of the special access administrative measures shall subject to the “restricted” catalogue, “prohibited” catalogue and the “encouraged” catalogue which involve the restrictions on equity or senior executives in accordance with the Catalogue. Meanwhile, the establishment and change of foreign-invested enterprises by foreign-related merger and acquisitions shall still subject to the relevant existing provisions.

On 8 October 2016, the MOFCOM promulgated the Interim Measures for the Record Filling Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “**Interim Measures**”), which was amended on 30 July 2017 and came into force on the same date. In accordance with the Interim Measures, the formation and modification of foreign-invested enterprises that do not involve the implementation of special administrative measures for access as prescribed by the state shall be appropriately recorded with competent authorities.

B. Processing Trade

According to Administration of the Examination and Approval of Processing Trade Tentative Procedures (加工貿易審批管理暫行辦法) promulgated by Ministry of Foreign Trade and Economic Cooperation (later renamed as “**Ministry of Commerce**”) on 27 May 1999 and effective as from 1 June 1999, the import and export enterprises, foreign investment enterprises, and export processing and assembling service companies (collectively “**operating enterprises**”) which have been approved of can engage in processing business (including processing with supplied materials (來料加工) and processing with purchased materials (進料加工) upon approval of relevant competent authority of foreign trade and economy. The state classifies processing trade import merchandise into three categories, namely prohibited category, restricted category and permitted category. And processing trade business is not allowed to use materials and parts listed in the prohibited goods category.

The Announcement on matters related to canceling the examination and approval of processing trade business and establishing sound supervision mechanism in the national scope (關於在全國範圍內取消加工貿易業務審批、建立健全事中事後監管機制有關事項的公告) that was

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put into effect on 1 September 2016, has cancelled the approvals of both the processing trade contracts and the domestic sales of the bonded imported materials and parts or the exported-oriented manufactured goods of the processing trade business. According to the foregoing announcement, the enterprises engaging in processing trade shall set up or change their processing trade manuals at customs with valid Certificate of State of Operation and Production Capacity of the Trade Processing Enterprise (加工貿易企業經營狀況和生產能力證明). The enterprises shall also obtain the approval documents from MOFCOM before they go through the aforesaid procedure if their processing trade involves goods listed in prohibited or restricted category.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法), which was adopted by the SCNPC on 22 January 1987, and amended on 8 July 2000, 29 June 2013, 7 November 2016 and 4 November 2017, all conveyance, goods and articles entering or leaving the territory shall be subject to customs control, including declaration, examination and supervision. Duties shall be levied accordingly. Unless otherwise exempted or reduced according to the laws or regulations, the consignee of import goods, the consignor of export goods and the owner of inward and outward articles shall be the obligatory customs duty payer. A fine may be imposed for acts which violate the regulations on customs control prescribed in the Customs Law of the PRC, such as, the failure to make accurate declaration of the import or export goods to the PRC customs authority, the failure to accept, in accordance with relevant regulations, the checking and examination by the PRC customs authority of the conveyance, goods or articles entering or leaving the territory, and to open or break seals affixed by the PRC customs authority without authorization.

According to the Measures of the Customs of the PRC on the Supervision and Administration of Processing Trade Goods (中華人民共和國海關加工貿易貨物監管辦法) (the “**Processing Trade Goods Measures**”) issued by the General Administration of Customs on 12 March 2014, last amended on 29 May 2018 and effective as from 1 July 2018, enterprises engaging in processing trade operation or processing and contractors of processing trade shall go through the procedure for the establishment of manuals, import and export declaration, processing, supervision and write-off of processing trade goods with competent customs authorities pursuant to the relevant regulations of the Processing Trade Goods Measures herein. According to the Processing Trade Goods Measures, processing the trade goods shall use the materials for the specific purpose. Without approval by the Customs, processing trade goods may not be pledged. Unless the conditions stipulated in the Processing Trade Goods Measures that forbid operating enterprises from establishing processing trade goods manuals, operating enterprises shall go through the procedure for the establishment of a processing trade goods manual with the relevant competent customs authorities. If the content of the processing trade goods manual is changed, the operating enterprises shall go through the procedure for the change within the term of validity of the processing trade manual. Unless otherwise specified by the state, if the materials and parts imported for processing trade are subject to the import restrictions imposed by the state, operating enterprises do not need to provide import permits to the customs. If the finished products exported after processing are subject to the export restrictions imposed by the state, operating enterprises shall provide export permits to the customs.

C. Product Liabilities

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party may claim for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was promulgated by the NPC on 12 April 1986 and became effective from 1 January 1987, as amended on 27 August 2009, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities. As the General Provisions of the Civil Law of the PRC (中華人民共和國民法總則), which was promulgated by the NPC on 15 March 2017 and came into effect on 1 October 2017, does not include provisions in relation to product liability, the relevant provisions under the General Principles of the Civil Law of the PRC will continue to be valid and enforceable. However, the General Provisions of the Civil Law of the PRC will change the time limit of legal proceedings from two years to three years.

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993 and was subsequently amended on 8 July 2000 and 27 August 2009, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of the persons and property, the relevant authority will order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated by the SCNPC on 31 October 1993 and became effective from 1 January 1994, as amended on 27 August 2009 and 25 October 2013 respectively, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers. In extreme situations, food operation enterprises may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

On 26 December 2009, the SCNPC promulgated the PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective from 1 July 2010. Producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying compensation, claim against the producer for the same. Where the product defect is caused by the seller, the producer may, after paying compensation, claim against the seller for the same. With respect to the environment, the PRC Tort Liability Law highlighted the principle that polluters are to assume liability in respect of harm caused by their environmental pollution, irrespective of whether they have breached national environmental protection regulations or not.

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D. Foreign Exchange Control

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“SAFE Circular No. 16”). SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the Foreign-invested Enterprise from foreign exchange settlement shall not be used for the following purposes:

- (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (iii) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

As the cross-border capital flows are common to us based on our business model, the PRC laws and regulations in relation to the foreign exchange are material to our Group’s business.

E. Taxation in the PRC

Enterprise Income tax (“EIT”)

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was passed by the National People’s Congress in China (全國人民代表大會, the “NPC”) on 16 March 2007, and amended and came into effect on 24 February 2017, and its Implementation Regulations (企業所得稅法實施條例) (collectively, the “EIT Law”), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or which are incorporated pursuant to the foreign laws with their “de facto management bodies” located in the PRC, are deemed “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or

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places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

Transfer Pricing

According to the EIT Law and its implementation rules, related party transactions should comply with the arm's length principle (獨立交易原則) (i.e. to consummate transactions at a fair price and as per business norms), the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, release price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle). If the related party transactions fail to comply with the arm's length principle and results in the reduction of the enterprise's taxable income, the tax authority has the power to make a special adjustment within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

According to Announcement of the State Administration of Taxation on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告) (the “**Circular 42**”) promulgated by SAT on 29 June 2016 and taking effect on the same day, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company.

Pursuant to the Announcement of the State Administration of Taxation on Issuing the Measures for the Investigation, Adjustment and Consultation Procedures of Special Tax Investigation (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》) (the “**Circular 6**”) promulgated by the SAT on 17 March 2017 and becoming effective on 1 May 2017, the enterprise shall maintain a reasonable profit level in principle if it engages in a single production business for its overseas related party, such as processing with supplied or purchased materials or engages in distribution and contract development business. If the said enterprise is in a loss, whether or not the enterprise meets the standards for preparing the contemporaneous documentation of related-party transactions under the Circular 42, it shall prepare the local file of contemporaneous documentation for the period of loss. The tax authority shall focus on the reviewing of the local file of the company and strengthen the monitoring and management. The tax authorities may adjust the tax and impose the interest and/or overdue fine where the company has borne the risk and losses incurred by the related party due to the decision-making mistakes, insufficient start-up, slow sales of products, failure of research and development and etc.

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Withholding Income Tax

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

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

Pursuant to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (非居民納稅人享受稅收協定待遇管理辦法), which came into force on 1 November 2015, any non-resident taxpayer who needs to enjoy favorable tax treatments under the relevant tax arrangements shall report to the competent tax authorities for record filling on it own or make a declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Value added tax

The Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and last amended on 19 November 2017, and came into effect on the same day, and the Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which were promulgated by the PRC Ministry of Finance (中華人民共和國財政部) (the "**MOF**") and became effective on 25 December 1993, and were amended on 15 December 2008 and 28 October 2011 (effective from 1 November 2011), set out that sale of goods, provision of processing services, repair and replacement services, and import goods within the PRC are subject to the payment of value-added tax (the "**VAT**"). The VAT payable is calculated as "output VAT" minus "input VAT". The VAT rate for the sale of goods is normally 17%, save as otherwise provided. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), which was jointly issued by the MOF and SAT on 4 April 2018 and became effective from 1 May 2018, VAT taxpayer who engages in taxable sales or import of goods and originally applies the tax rate of 17% and 11%, is subject to a VAT tax rate of 16% and 10% respectively.

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Environmental Protection Tax

The Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (the “**Environmental Protection Tax law**”) was promulgated by SCNPC on 25 December 2016 and came into force on 1 January 2018. According to the Environmental Protection Tax Law, within the territory of the PRC and other sea areas under the jurisdiction of the PRC, the enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment such as air pollutants, water pollutants, solid wastes and noises as prescribed in the Schedule of Tax Items and Tax Amounts of Environmental Protection Tax and the Schedule of Taxable Pollutants and Equivalent Values shall pay environmental pollution tax.

However, if an enterprise or any other producer falls under any of the following circumstances, it shall not be deemed as directly discharging pollutants to the environment and shall be released from the environmental protection tax on the corresponding pollutants:

- (i) It discharges taxable pollutants to a centralized sewage or domestic garbage treatment site established in accordance with the law.
- (ii) It stores or disposes of solid wastes at any facility or site that meets the national and local environmental protection standards.

F. Environmental Protection

Our Group’s business is subject to the various laws and regulations regarding the environmental protection in China, especially in the aspects of environmental impact assessment and the prevention and control of certain pollutant. The Ministry of Environmental Protection and the provincial governments in China are responsible for formulating the national and local environmental protection standards. The main PRC environmental laws and regulations applicable to our Group are set out as below.

Environmental Protection Law

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was passed and came into effect on 26 December 1989 by the SCNPC and then amended on 24 April 2014 and came into effect on 1 January 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The Environmental Protection Law requires enterprises that discharge pollutants in their production process to adopt environmental protection measures and establish an accountability system for environmental protection.

In addition, according to the Environmental Protection Law, enterprises and other producers which discharge pollutions into the environment shall gain a Pollution

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Discharging Permit from the competent authority. No pollutions shall be discharged into the environment without such permit.

The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

The Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), which was passed by the SCNPC on 28 October 2002 with effect from 1 September 2003 and then amended on 2 July 2016 and came into effect on 1 September 2016, provides that enterprises must submit an environmental impact report to the competent environmental protection authorities and obtain their approval before commencing their construction project. In the process of constructing a project, the construction enterprise shall carry out the countermeasures for environmental protection as proposed in the environmental impact report and the related documents. The environmental protection authorities may suspend the construction project and impose penalty if the enterprise commence their construction project without the prior approval of the environmental protection authorities regarding the environmental impact report.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated on 27 December 2001, and came into effect on 1 February 2002 and later amended on 22 December 2010, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection (Dissolved, but reorganised as the “**Ministry of Ecology and Environment of PRC**”) or its local counterparts upon the completion of construction, and only after the construction project has passed the inspection and acceptance and acquired the approval thereon can it be put into production or use. Pursuant to the Announcement on Issuing the Interim Measures on the Inspection and Acceptance of Environment Protection of Construction Projects (關於發佈《建設項目竣工環境保護驗收暫行辦法》的公告), which was promulgated by the Ministry of Environmental Protection of PRC (dissolved) on 20 November 2017 and came into force on the same day, construction project no longer needs to be passed the inspection and acceptance conducted by competent authorities, but conduct certain specific procedure independently. However, if the construction project requires a complete set of pollution prevention facilities related to noise or solid waste, the facilities of preventing noise or solid waste shall go through the inspection and acceptance of competent environmental protection authorities before the amendments of the Noise Pollution and Prevention Law of the PRC (中華人民共和國環境噪聲污染防治法) and the Solid Pollution and Prevention Law of the PRC (中華人民共和國固體廢物污染環境防治法) being promulgated.

Pursuant to the Interim Provisions on the Management of Pollution Discharging Permit (排污許可證管理暫行規定), promulgated and became effective on 23 December

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2016, the initial Pollution Discharging Permit issued in accordance with the Interim Provisions is valid for 3 years, while the validation period of the renewal permit is 5 years.

Further, in order to reinforce the supervision of pollutant source and regulate the permit of discharge, the Government of Guangdong Province promulgated the Administrative Measures of Pollutant Discharge Permits of Guangdong Province (廣東省排污許可證管理辦法) (the “**Administrative Measures**”) on 27 January 2014. The Administrative Measures has regulated the conditions and procedure of the application of discharge permit, as well as its supervision and administration. Any enterprises discharge pollutant without a permit, or discharge beyond the range of discharge permit allowed, may be imposed fines and penalties, revoke discharge permit, cease operations or even criminal liability in severe situations.

The PRC Government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law of the PRC (中華人民共和國大氣污染防治法) (promulgated by the SCNPC on 5 September 1987, last amended on 29 August 2015 and was effective from 1 January 2016), the Water Pollution and Prevention Law of the PRC (中華人民共和國水污染防治法) (promulgated by the SCNPC on 11 May 1984, last amended on 27 June 2017, and effective as from 1 January 2018), the Noise Pollution and Prevention Law of the PRC (中華人民共和國環境噪聲污染防治法) (promulgated by the SCNPC on 29 October 1996 and effective as from 1 March 1997) and the Solid Pollution and Prevention Law of the PRC (中華人民共和國固體廢物污染環境防治法) (promulgated by the SCNPC on 30 October 1995, last amended on 7 November 2016 and was effective from the same date), which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and the pollution from noise and solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall observe and comply with the state regulations concerning the administration of environmental protection of construction projects, make pollutant discharge declaration and discharge pollutants in accordance with laws and regulations.

G. Labour Protection

As our business operates on a labour-intensive basis and the number of the employees based in the PRC accounts for the majority of the number of our total employees, the PRC labour laws and regulations, especially the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法, the “**Labour Contract Law**”) and the laws and regulations in relation to the social insurance and the housing provident fund, are material to our business.

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Labour Law

The Labour Law of the PRC (中華人民共和國勞動法), which was passed by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009, provides that employees are entitled to gain equal opportunities in employment, choose occupations, receive labour remuneration, have rest days and holidays, acquire protection of occupational safety and healthcare, social insurance and welfare, etc. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and/or local regulations on occupational safety and healthcare, and provide necessary labour protective supplies to employees.

Labour Contract Law

The Labour Contract Law which was passed by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on the Labour Contract Law (勞動合同法實施條例), which was promulgated by the State Council on 18 September 2008, and came into effect on the same day, provide that the labour contracts must be executed in order to establish the labour relationship between employers and employees. The Labour Contract Law stipulates that an employer shall inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, production safety conditions, labour remuneration and other information requested by the employees. The Labour Contract Law also stipulates that employer and employee shall fully perform their respective obligations in accordance with the terms set forth in the labour contract. In addition, employer shall pay employees the labour remuneration timely and in full amount in accordance with terms in the labour contract. The Labour Contract Law also provides for the scenarios of rescission and termination of a labour contract. Except the situation explicitly stipulated in the Labour Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee whose labour contract has been revoked or terminated by the employer.

Social Insurance and Housing Provident Funds

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulations on Work-Related Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Maternity Insurance of Employees (企業職工生育保險試行辦法) and the Interim Regulation on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a specified period together with a 0.05% additional late payment of the unpaid

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social insurance premium from the date on which the payment is due. If the employer fails to settle the overdue payment within such time limit, the relevant regulatory authorities may impose a fine from one to three times the amount of overdue payment on such employer.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

LAWS AND REGULATIONS IN SRI LANKA

Several laws are applicable or relevant to the business of apparel manufacturing by a company in Sri Lanka. The laws applicable in particular to our Group vary from laws relating to investment by a non-resident, to environment and employment laws.

A. The Board of Investment Law No. 4 of 1978 as Amended (“BOI Law”) and its regulations

The Board of Investment (BOI) is the statutory authority set up by the government of Sri Lanka by an Act of Parliament to encourage investment in Sri Lanka, both local and foreign. The BOI has its origins in the Greater Colombo Economic Commission established in 1978. In 1992, the Commission was reconstituted as the BOI.

The BOI Law provides for two types of investment approvals-approval under Section 16 (general incentives under the normal laws of the country) and Section 17 (special incentives outside the identified laws of the country) of the Act. The Law provides for a wide range of incentives and concessions.

Section 16 approval permits foreign investment entity to operate only under the normal laws of the country and for such enterprises the provisions of the Inland Revenue, Turnover Tax Act, Excise (Special Provisions) Act, Customs and Exchange Control laws will apply. The entities that do not qualify for concessions under Section 17 may seek incentives available under this. Section 17 approval permits certain enterprises approved by the BOI special incentives, outside the identified laws of the country, provided such enterprises meet certain criteria.

The approval under the BOI Law is not mandatory. Investors may decide to obtain the approval of the BOI for the advantages that are granted to an investor by such approval. The BOI is empowered to enter into agreements with any enterprise and grant exemptions thereto from any law referred to in Schedule B of the BOI Law or to modify or vary the application of

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any such laws to such enterprises, in accordance with such regulations made by the Minister of Economic Development. The laws referred to in Schedule B are as follows:

- i. The Inland Revenue Act No 10 of 2006 as amended
- ii. The Customs Ordinance
- iii. The Exchange Control Act No 24 of 1953
- iv. The Companies Act No 7 of 2007
- v. The Merchant Shipping Act No 52 of 1971
- vi. The Finance Act No 65 of 1961 as amended
- vii. The Air Navigation Act
- viii. The National Film Corporation of Sri Lanka Act No 47 of 1971

1. Foreign Exchange Act No 12 of 2017 and its regulations

The Foreign Exchange Act No. 12 of 2017 (the “**Foreign Exchange Act**”) which repealed the Exchange Control Act No. 24 of 1953 (as amended) (the “**Exchange Control Act**”), came into operation on 20 November 2017.

The regulations issued thereunder, the Foreign Exchange (Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017, the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 (“**Foreign Exchange Regulations**”) and the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 came into operation on the same day.

In terms of Section 7 of the Foreign Exchange Act, a person is entitled to deal in foreign exchange for a current transaction of such person, through an authorized dealer.

Section 7 of the Foreign Exchange Act provides, *inter alia*, that the Minister will, in consultation with the Monetary Board and with the approval of the Cabinet of Ministers, authorize by regulations the limits up to which capital transactions may be undertaken and the terms and conditions subject to which foreign exchange may be dealt with in respect of permitted classes of capital transactions.

As per the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017 issued under the Foreign Exchange Act, all existing transactions under the provisions of the repealed Exchange Control Act that are similar to the capital transactions as specified in Schedules I, II and IV

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to the regulations may be continued subject to the terms and conditions specified for such transactions, unless specifically varied by the aforesaid regulations or any subsequent regulations.

The Regulations further provide that certain capital transactions have been permitted to be carried out by licensed commercial banks as authorised dealers, subject to the conditions specified thereunder.

Accordingly, persons resident outside Sri Lanka may invest, acquire, hold all classes of shares or an entitlement to shares of companies incorporated in Sri Lanka under the Companies Act No. 07 of 2007 so long as the monies therefor are remitted through an Inward Investment Account (“**IIA**”) (previously known as a Securities Investment Account or SIA) opened and maintained with a licensed commercial bank. Furthermore, it is a requirement under the regulations that the original investment has been made through an IIA in order to repatriate any income received from such permitted investments or proceeds arising from the disposal of such permitted investments abroad.

The approval referred to above does not apply to investments in certain companies. Investment in a company manufacturing garments is not restricted.

2. *The Inland Revenue Act No.24 of 2017*

The Inland Revenue Act No. 24 of 2017 (the “**Inland Revenue Act**”) came into effect on 1 April 2018 repealed and replaced the Inland Revenue Act No. 10 of 2006 as amended.

In terms of section 2 of the Inland Revenue Act, income tax will be payable for each year of assessment by (i) a person who has taxable income for that year or (ii) a person who receives a final withholding payment during that year. The income tax payable by a person referred to in (i) above is calculated by (a) applying the relevant rates of income tax set out in the First Schedule to the Inland Revenue Act to that person’s taxable income, (b) deducting any foreign tax credit claimed by and allowed to the person for the year under section 80 of the Inland Revenue Act, and (c) deducting any other tax credit granted or allowed to the person for the year under the Inland Revenue Act. The income tax payable by a person referred to in (ii) above is calculated by applying the relevant rate set out in the First Schedule to the Inland Revenue Act to each final withholding payment. The rate of tax on the withholding payment changes depending on the type of the withholding payment.

The taxable income of a person for a year of assessment is equal to the total of the person’s assessable income for the year from each employment, business, investment and other sources, as determined in accordance with the Inland Revenue Act.

As per the First Schedule to the Inland Revenue Act, the taxable income of any company that predominantly conducts the business of exporting goods and services will be taxed at the rate of 14%. The term “predominantly” is defined in the Inland Revenue Act to mean 80% or more calculated based on gross income. Other companies are taxed at a rate of 28%.

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However, in terms of the First Schedule, where a company's taxable income includes gains from the realisation of investment assets, then those gains will be taxed at the rate of 10% and only the remainder of the company's taxable income will be taxed at the rate 14% or 28%, as the case may be.

3. *National Environmental Act No 47 of 1980*

The Act established the Central Environmental Authority (CEA), which has power to give directions to local authorities to do acts necessary for safeguarding and protecting the environment within its local limits. The Minister is to determine by Order published in the Gazette the activities for which an environmental protection license is required being activities which involves or results in discharging, depositing or emitting waste into the environment causing pollution. Such activities are known as "prescribed activities" and provided for in the Gazette Extraordinary No 1533/16 dated 25 January 2008.

In terms of the Gazette Extraordinary No 1534/18 dated 1 February 2008 the CEA may issue a license to any person to discharge, deposit or emit waste in to the environment in accordance with its prescribed standards and criteria if an application is made with payment of the prescribed license fee. This license which is renewable, is valid for a prescribed period, and if not specified, for a period not exceeding three years. All prescribed activities must be carried under license of the CEA in accordance with the established standards prescribed under the above Act. Any person found guilty of a violation of this provision would be liable to a fine not less than Rs.10,000 or a term of imprisonment not less than one year or both and be required to obtain a license as determined by the court. A license issued may be suspended or cancelled by the CEA if the holder of the said license acts in violation of the said terms and standards, if the continued discharge and emission of waste affects the beneficial use of the environment or if there is a change in the natural environment.

All prescribed projects would require the necessary approval from appropriate project approval agency concerned with the project except in the case where certain projects will be determined by the Minister and approval by the project approval agency will be made in concurrence with the CEA. All project approving agencies have a duty to request an initial environmental examination report or an initial environmental impact assessment report from the project owner within a specific time. This is considered a public document per the provisions of the Act.

4. *Imports and Exports (Control) Act No. 1 of 1969 as amended*

Under this Act no person shall import into or export from Sri Lanka goods except under the authority or otherwise than in accordance with the conditions of a license issued on that behalf by the "Controller" (defined as the Controller of Imports and Exports appointed under the Act including a Deputy Controller and an Assistant Controller specially authorized by the Controller either generally or for a specific purpose to act on behalf of the Controller per the Act). The Controller further has the power to amend, suspend or cancel any such license issued to any person at any time in writing.

REGULATORY OVERVIEW

Under the Act regulations may be made exempting any specified class or classes of persons or goods from the requirement above. The Minister in charge of the subject may by regulation under the Act prohibit or regulate the importation or exportation of goods from or to countries specified in the regulation or prohibit the importation or exportation of goods other than by the Government of Sri Lanka or any corporate or unincorporated body as specified in the regulation.

5. *Customs Ordinance No. 17 of 1869 as amended*

Under the Customs Ordinance all importers must register with the Customs Department, upon which a Customs Identification Number (“CIN”) will be provided to the importer. If applicable, all importers will be required to make payment of Customs Duty to the levied on items and goods imported to and exported out of Sri Lanka under the custom ordinance.

6. *Labor Laws and Regulations*

(a) **The Factories Ordinance No. 45 of 1942 as amended** provides for the safety, health and welfare of all factory workers and deals with the following matters:

- i. Registration of factories
- ii. Overcrowding
- iii. Temperature and ventilation
- iv. Lighting
- v. Drainage of floors
- vi. Sanitary conditions
- vii. Safety as regards machinery, hoists and lifts, chains, ropes and lifting tackles, cranes and other lifting machines, floor passages and stairs, means of access, explosive or inflammable dust, gas, vapor or substance, steam boilers, etc.

(b) **The Shop and Office Employees (Regulation of Employment and Remuneration) Act Nos. 19 of 1954 (“the Shop and Office Act”)** broadly covers hours of employment, overtime, holidays and leave and remuneration of employees.

Under the Shop and Office Act, normal working hours of any employee must not exceed 8 hours in any one day and 45 hours in any one week, excluding time for rest and meals. Overtime rates should be paid after the normal working hours. Employees must not be engaged in overtime work in excess of 12 hours in any one week. Overtime for work performed during normal working days will be remunerated by payment of overtime at the rate of one and half times the hourly rate.

REGULATORY OVERVIEW

An employee under the Shop and Office Act is entitled to 14 days of annual leave and 7 days of casual leave. Every employee must be granted a weekly holiday of 1 ½ days a week if they are in employment for over 28 hours a week (exclusive of overtime and intervals for meals).

- (c) **The Wages Boards Ordinance No. 27 of 1941** applies to specified trades which have been created under the said law including the decisions of the garments manufacturing trade. Decisions under the said trade sets out the minimum wages applicable, working hours, leave and holidays connected to such work categories.
- (d) Under **the Employees Provident Fund Act No 15 of 1958 as amended** every employee in a covered employment must contribute 8% and the employer must contribute 12% of the employee's total earnings each month to the Employees Provident Fund ("EPF") account of the employee.
- (e) Under **the Employees Trust Fund Act**, every employer is required to contribute to the Employees Trust Fund ("ETF") established under the above Act a sum equivalent to 3% of the total earnings of every employee from his employment under such employer.
- (f) Under **the Payment of Gratuity Act No 12 of 1983**, any employee who has completed a period of five years of continuous service with the employer is eligible for the payment of gratuity amounting to be ½ months' salary for each year of completed year of service computed at the last drawn monthly remuneration. Gratuity is only payable if the employer employs 15 or more workmen during a period of 12 months immediately prior to the termination of employment of the employee.
- (g) **The Termination of Employment of Workmen (Special Provisions) Act No. 45 of 1971** applies to terminations of employment other than on disciplinary grounds where the employer employs 15 or more employees on an average, in a scheduled employment, for a period more than 6 months prior to the date of termination of the employee. It prohibits terminations of such employees who has one or more year of service, unless effected with employee's prior written consent or the prior written approval of the Commissioner of Labour.

However in the event that an employer employs under 15 employees in an organization and the employee is of the view that the termination of his employment by his employer is "unjust" or "inequitable", he may seek relief or redress in respect of such termination under the terms of the Industrial Disputes Act No. 43 of 1950 within six months from the date of termination. It is the function of the Commissioner of Labor to make inquiries into any industrial dispute and take necessary steps to settle the dispute in accordance with the Act.

REGULATORY OVERVIEW

- (h) **The National Minimum Wage of Workers Act** sets out a national minimum monthly wage for all workers in any industry or service as LKR10,000 and the national minimum daily wage of a worker shall be LKR400. This shall be deemed to be the wage of a worker after the deduction of all contributions whatsoever in respect of such wage.
- (i) Under **the Budgetary Relief Allowance of Workers Act No 36 of 2005 and No 4 of 2016** an employer is required to pay every worker employed by him a budgetary relief allowance computed in accordance with the Act.
- (j) **The Workmen's Compensation Ordinance** provides for payment of compensation by the employer to the workman who sustains personal injury in circumstances of employment. The Ordinance applies to all employees. The accident should have arisen out of and in the course of the workman's employment, when the employee is in the process of discharging his duty to the employer either directly or indirectly.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW OF OUR HISTORY

Our history can be traced to the early 1990s when one of our Controlling Shareholders, Mr. CW Siu, founded the business with two other shareholders. The business started under the name of Sterling Possessions (H.K.) Limited (“SPHK”), which had the predominant purpose of servicing our Customer A, which is one of the icons of American fashion with about 570 retail stores globally as at the end of 2016. They also appointed Mr. CW Siu’s spouse, Ms. Alice Wong, as the general manager of SPHK. For further details, please refer to the section headed “Directors, senior management and staff – Directors – Executive Directors” in this prospectus.

Over the years, SPHK has grown along with Customer A and has been one of the important suppliers of Customer A since the early 1990s. Our Directors believe that although SPHK may not be one of the largest suppliers of woven apparel products of Customer A, it has always been one of the preferred suppliers of Customer A in providing high-priced tailored apparel products with more exacting standards. As our apparel products were mostly manufactured in the PRC at the time, Mr. CW Siu and Ms. Alice Wong jointly set up Chiefway International in January 2004 to act as an operations & logistics hub between the factories in the PRC and SPHK. Chiefway International is primarily responsible for overseeing and managing our manufacturing operations in the PRC, which includes materials requirement planning and procurement, production planning and control, quality assurance and inspection, and shipping logistics.

In 2012, Ms. Alice Wong was introduced to Mr. William Choi (our non-executive Director and one of our Controlling Shareholders), a director of various apparel trading companies and a member of the Federation of Hong Kong Garment Manufacturers (香港製衣業總商會). Mr. William Choi expressed an interest in investing in SPHK as we were in different segments of the apparel industry. SPHK was a manufacturer of more tailored apparel products of higher price point while he’s in apparel trading in the larger mass market. Thereafter, Mr. CW Siu purchased all the shares from the two other shareholders and entered into a joint venture agreement with Mr. William Choi in September 2012. SPHK was then voluntarily dissolved on 6 November 2015, and the entire business was gradually transferred to a new company, Sterling Apparel, on 5 September 2012. The joint venture agreement for the formation of Sterling Apparel stipulated that, among other things, (i) Ms. Alice Wong would remain as the chief executive officer and would manage the overall business of Sterling Apparel, and (ii) Mr. William Choi would be principally a passive investor and would not be involved in the day-to-day operations. For further details of Mr. William Choi, please refer to the section headed “Directors, senior management and staff – Directors – Non-executive Director” in this prospectus.

As our business continues to grow, Sterling Apparel acquired Chiefway International on 10 June 2014 and Zhi Wei on 17 December 2016 (with legal procedures completed on 19 January 2017). Zhi Wei operates a factory in Panyu, Guangdong that manufactures all our high-priced products. During 2016, we have decided to pursue diversification of our business to different customers. We commenced our business in the second half of year 2015 with Customer G, an American retailer of casual wear based in the mid west of the U.S., and Customer H, a well-known U.K. brand which is quintessentially British luxury fashion. In order to establish a lower-cost off-shore manufacturing base, we also acquired two production facilities in Sri Lanka,

HISTORY, DEVELOPMENT AND REORGANISATION

namely the Meegoda Factory and the Katunayake Factory. As at the Latest Practicable Date, our Group has three production facilities.

OUR PRODUCTION HISTORY

During the early years, our production was outsourced mostly to the PRC factories and a factory in Katunayake, Sri Lanka. This factory in Sri Lanka, which became later the Katunayake Factory. In 2007, in order to manufacture complicated tailored apparel products which are often in small order quantity and to afford a faster response to customers during the product development and sampling stage, Mr. KS Wong and Mr. Wong Kwong Chuen, who are brothers of Ms. Alice Wong, established Zhi Wei, which operates the Panyu Factory. The Panyu factory also serves as a technical product development center for our entire business. Zhi Wei also cooperates with Chiefway International under a processing trade arrangement, whereby Chiefway International supplies Zhi Wei with the machinery and equipment free-of-charge, provides technical support and management, procures and consigns materials for customer orders, and pays the CMP charges for the apparel products produced. In 2011, Ms. Alice Wong, as a beneficial owner, established Chiefway (PVT) (whereby all issued shares were held by two nominees) to acquire a small factory in Meegoda, Sri Lanka to supplement the capacity of the Katunayake Factory. In 2014, there was an opportunity to acquire the Katunayake Factory, which was taken up by Mr. YM Siu who became the sole shareholder of Chiefway Lanka which operates his Katunayake factory in about August 2014. In 2015, the ownership of the Meegoda factory was also reverted that Mr. YM Siu, the son of Ms. Alice Wong, who became the sole shareholder of Chiefway (PVT). For further details of acquisition, please refer to the subsection headed “Major acquisitions” in this section.

KEY BUSINESS DEVELOPMENT MILESTONES

A chronological timeline of the key milestones in our Group’s business since its inception:

- | | | |
|------|---|---|
| 1993 | – | SPHK was incorporated in Hong Kong to enter into the apparel trading and manufacturing business |
| 1999 | – | SPHK commenced business with Customer A |
| 2004 | – | Chiefway International was incorporated in Hong Kong to begin our own manufacturing by controlling fabric consumption and buying all materials and trims for the outsourced factories |
| 2007 | – | Zhi Wei was incorporated in the PRC and owned equally between Mr. KS Wong and Mr. Wong Kwong Chuen, brothers of Ms. Alice Wong |
| 2011 | – | Chiefway (PVT) acquired a factory in Meegoda, Sri Lanka. Chiefway (PVT) was nominally held by Mr. Hung To Ho and Mr. Hitoshi Abe |

HISTORY, DEVELOPMENT AND REORGANISATION

- 2012
 - Sterling Apparel was incorporated in Hong Kong
 - The business of SPHK was transferred into Sterling Apparel which was owned equally by Mr. CW Siu and Rainbow Galaxy, a BVI company ultimately wholly owned by Choi's Family Trusts
- 2014
 - Sterling Apparel acquired all the shares of Chiefway International. Mr. William Choi bought 50% interest in Zhi Wei from Mr. Wong Kwong Chuen
 - Mr. YM Siu acquired all the shares of Chiefway Lanka, which owned the Katunayake Factory
- 2015
 - Mr. YM Siu acquired all the shares of Chiefway (PVT), which owned the Meegoda Factory
- 2016
 - Sterling Apparel established its presence in the business uniform market by supplying flight crew uniforms for a U.S. airline
 - Sterling Apparel commenced business with a well established U.K. brand which is synonymous with luxury fashion
- 2017
 - Elegant Maker, a wholly owned subsidiary of Sterling Apparel, entered into an agreement on 17 December 2016 pursuant to which Elegant Maker acquired all the issued shares in Zhi Wei. The legal procedures of the acquisition of Zhi Wei was completed on 19 January 2017
 - Sterling Apparel acquired Chiefway (PVT) on 28 February 2017 and incorporated Chiefway Katunayake, a wholly owned subsidiary of Sterling Apparel, to acquire the business of Chiefway Lanka save for shareholder's loan as of 31 March 2017

OUR CORPORATE HISTORY

Our Company has a number of direct and indirect wholly owned subsidiaries incorporated in BVI, Hong Kong, the PRC and Sri Lanka. Details of major members of our Group and their respective corporate history are set out below:

Our Company

Our Company was incorporated on 6 June 2017 in the Cayman Islands under the Companies Law as an exempted company with limited liability. As at the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

HISTORY, DEVELOPMENT AND REORGANISATION

On the date of incorporation, one Share was allotted and issued to the initial subscriber, an Independent Third Party. On the same date, the said Share was transferred to Moonlight for cash at par and one Share was allotted and issued to Rainbow Galaxy for cash at par.

Upon completion of the Reorganisation, our Company became the holding company of our Group. Our Company is an investment holding company and does not carry on any business.

Excel Tops

Excel Tops was incorporated on 11 May 2017 in the BVI with limited liability, with an authorized share capital of 50,000 shares of a single class of par value of US\$1 each. On 23 May 2017, 5,000 shares were allotted and issued to Moonlight and 5,000 shares were allotted and issued to Rainbow Galaxy.

Upon completion of the Reorganisation, Excel Tops became a direct wholly owned subsidiary of our Company. Excel Tops is an investment holding company and does not carry on any business.

Sterling Apparel

Sterling Apparel was incorporated in Hong Kong on 19 June 2012 with limited liability and commenced business on 19 June 2012. Before the Reorganisation, it had been owned as to 50% by Mr. CW Siu and as to 50% by Rainbow Galaxy since 19 September 2012.

On 24 May 2017, Mr. CW Siu and Rainbow Galaxy (as vendors respectively) and Winfield (as purchaser) entered into two sale and purchase agreements pursuant to which each of Mr. CW Siu and Rainbow Galaxy transferred 50% shareholding interests in Sterling Apparel to Winfield. The consideration for the said sale and purchase of shares under each of the said sale and purchase agreements, being HK\$60,720,000, was settled by Winfield allotting and issuing, credited as fully paid, 50 shares of Winfield to Moonlight (at the direction of Mr. CW Siu) and 50 shares of Winfield to Rainbow Galaxy respectively. For reasons of the transfer, please refer to the subsection headed “Reorganisation” in this section.

On 12 June 2017, Winfield (as vendor) and Excel Tops (as purchaser) entered into a sale and purchase agreement pursuant to which Winfield transferred 100% shareholding interests in Sterling Apparel to Excel Tops. The consideration for the said sale and purchase of shares, being HK\$121,440,000, was settled by Excel Tops allotting and issuing, credited as fully paid, 5,000 shares of Excel Tops to Moonlight and 5,000 shares of Excel Tops to Rainbow Galaxy. As at 12 June 2017, Winfield was owned as to 50% by Moonlight and as to 50% by Rainbow Galaxy.

Upon completion of the Reorganisation, Sterling Apparel became a wholly owned subsidiary of Excel Tops and is an indirect wholly owned subsidiary of our Company. It is an operating subsidiary principally engaged in direct sales of apparel products to our customers.

HISTORY, DEVELOPMENT AND REORGANISATION

Chiefway International

Chiefway International was incorporated in Hong Kong on 21 January 2004 with limited liability. Mr. CW Siu had been the sole shareholder of Chiefway International since 12 March 2004. On 3 August 2012, Ms. Alice Wong became a shareholder with 45% shareholding in Chiefway International while Mr. CW Siu held 55% shareholding.

On 28 April 2014, Mr. CW Siu and Ms. Alice Wong (as vendors) and Discovery Century Limited (as purchaser), a company incorporated in the BVI with limited liability, entered into a sale and purchase agreement in which Discovery Century acquired 100% of the issued shares in Chiefway International at a nominal value. As at 28 April 2014, Discovery Century was owned as to 55% by Mr. CW Siu and as to 45% by Ms. Alice Wong. Mr. CW Siu and Ms. Alice Wong desired to spin off their personal assets held under Chiefway International, before Discovery Century Limited sold all the issued shares in Chiefway International to Sterling Apparel.

On 10 June 2014, Discovery Century Limited (as vendor) and Sterling Apparel (as purchaser) entered into a sale and purchase agreement in which Sterling Apparel acquired all the issued shares of Chiefway International from Discovery Century Limited. The total consideration is HK\$36,408,709. For further details, please refer to the paragraph headed “Major acquisitions” in this section.

Upon completion of the Reorganisation, Chiefway International became a wholly owned subsidiary of Sterling Apparel and is an indirect wholly owned subsidiary of our Company. It is an operating subsidiary principally engaged in apparel manufacturing with direct sales to Sterling Apparel and our customers.

Elegant Maker

Elegant Maker was incorporated on 22 January 2016 in Hong Kong with limited liability. On the date of incorporation, one share was allotted and issued to an Independent Third Party as the initial shareholder for HK\$1, credited as fully paid. On 23 November 2016, Sterling Apparel acquired one share in Elegant Maker from the initial shareholder at a nominal value.

Upon completion of the Reorganisation, Elegant Maker became a wholly owned subsidiary of Sterling Apparel and is an indirect wholly owned subsidiary of our Company. It is an investment holding company and does not carry on any business.

Zhi Wei

Zhi Wei was incorporated in the PRC with limited liability on 5 February 2007 and was owned equally by Mr. KS Wong and Mr. Wong Kwong Chuen, brothers of Ms. Alice Wong, our executive Director.

On 16 June 2014, Mr. William Choi acquired 50% of the issued shares in Zhi Wei from Mr. Wong Kwong Chuen. The consideration was HK\$4,000,000 and was fully settled on 16 June 2014.

HISTORY, DEVELOPMENT AND REORGANISATION

On 17 December 2016, Elegant Maker (as purchaser), a wholly owned subsidiary of Sterling Apparel, entered into a sale and purchase agreement with Mr. KS Wong and Mr. William Choi (as vendors) in which Elegant Maker acquired all issued shares in Zhi Wei from Mr. KS Wong and Mr. William Choi. The consideration in total was HK\$8,000,000 and was fully settled on 21 December 2016. For the reasons of the transfer, please refer to the subsection headed “Reorganisation” in this section.

Upon completion of the Reorganisation, Zhi Wei became a wholly owned subsidiary of Elegant Maker and is an indirect wholly owned subsidiary of our Company. It is an operating subsidiary in the PRC and carries on apparel manufacturing business.

Chiefway (PVT)

Chiefway (PVT) was incorporated in Sri Lanka with limited liability on 16 September 2011. On 16 September 2011, one share of Chiefway (PVT) was issued and allotted to Mr. Hung To Ho and one share of Chiefway (PVT) was issued and allotted to Mr. Hitoshi Abe. Mr. Hung To Ho and Mr. Hitoshi Abe were nominee shareholders holding on trust the said shares for Ms. Alice Wong.

On 1 April 2015, under Ms. Alice Wong’s direction, Mr. Hung To Ho and Mr. Hitoshi Abe each entered into a sale and purchase agreement with Mr. YM Siu. Pursuant to the said sale and purchase agreements, Mr. Hung To Ho and Mr. Hitoshi Abe would each transfer one share to Mr. YM Siu, being the total issued share capital of Chiefway (PVT), at a nominal value. Chiefway (PVT) became wholly owned by Mr. YM Siu.

On 28 February 2017, Mr. YM Siu (as vendor) and Sterling Apparel (as purchaser) entered into a sale and purchase agreement pursuant to which Sterling Apparel acquired all the issued shares in Chiefway (PVT) from Mr. YM Siu at a consideration of US\$1,200,000 on the same date.

Upon completion of the Reorganisation, Chiefway (PVT) became a wholly owned subsidiary of Sterling Apparel and is an indirect wholly owned subsidiary of our Company. It is our operating subsidiary in Sri Lanka and carries on apparel manufacturing business.

Chiefway Katunayake

Chiefway Katunayake was incorporated in Sri Lanka with limited liability on 31 March 2017 and had been wholly owned by Sterling Apparel since incorporation.

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser) entered into a sale and purchase agreement pursuant to which Chiefway Katunayake acquired the business of Chiefway Lanka at a consideration of US\$4,606,452. For further details, please refer to the paragraph headed “Major acquisitions” in this section.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of the Reorganisation, Chiefway Katunayake became a wholly owned subsidiary of Sterling Apparel and is an indirect wholly owned subsidiary of our Company. It is our operating subsidiary in Sri Lanka and carries on apparel manufacturing business.

MAJOR ACQUISITIONS

During the Track Record Period, our Group made the following acquisitions:

Acquisition of Zhi Wei, Chiefway (PVT) and Chiefway Lanka

Based on our Directors' observations, the apparel industry has changed in recent years and most of our customers in the U.S. or European countries prefer buying products directly from manufacturers instead of having to go through trading companies and consequently incur middleman charges. In response to the changing industry trend, our Group decided to acquire Zhi Wei, Chiefway (PVT) and Chiefway Lanka, being the Katunayake Factory. Our Group also took the initiative to minimize the Controlling Shareholders' potential competing business and connected transactions in order to better comply with the Listing Rules and improve corporate governance. Therefore, there is an incentive for our Group to complete the said acquisitions during the Track Record Period.

Our Directors believe that there was no material impact after our Group internalised part of the production process, which provides us with the following benefits: (i) our Group has been positioning itself as a manufacturer to its customers through the use of the Three Factories; therefore, bringing them into our direct ownership establishes the credentials of our Group's positioning and rationalizes the corporate structure; and (ii) before acquisition, these three factories while related were not under direct control of our Group's management; after acquisition, their being subsidiaries of our Group established a clear reporting structure and accountability facilitating communication and collaboration between our Hong Kong merchandising and technical functions with their counterparts in the China and Sri Lanka factories – such as in determining fabric consumption during costing process, applying our knowledge and experience in rendering an apparel true to its intended design and appearance, offering different options to our customers during the product development stage, and allocating and managing our sample production capacity to satisfy the timely delivery of large volume of samples our Group requires throughout the year.

Although the said acquisitions constitute a change to our cost structure, our Directors do not expect any material impact on the adjusted net profit margin in the future as supported by the historical figures. After the acquisitions, our adjusted net profit margin (excluding gains on bargain purchase and listing expense) for the year ended 31 March 2018 remained relatively stable at 3.9% comparing to 3.7% for the year ended 31 March 2017. For further details of the change of cost structure, please refer to the section headed "Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Cost of sales" in this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Acquisition of Zhi Wei

On 17 December 2016, Elegant Maker, a wholly owned subsidiary of Sterling Apparel, entered into an agreement with Mr. William Choi and Mr. KS Wong in relation to the sale and purchase of all the issued shares in Zhi Wei. Mr. William Choi is our Controlling Shareholder and non-executive Director. Mr. KS Wong is the brother of Ms. Alice Wong, our executive Director and the brother-in-law of Mr. CW Siu, our Controlling Shareholder. Mr. William Choi and Mr. KS Wong each sold 50% of the issued shares to Elegant Maker for HK\$4,000,000. Our Directors would prefer to acquire the business of Zhi Wei; however, considering the time and procedures required to establish a new entity in the PRC, our Directors have decided to acquire the entire equity interest of Zhi Wei instead. The consideration was HK\$8,000,000 in total, which was based on the registered capital of approximately HK\$8.0 million; and a goodwill of approximately HK\$10.9 million was recorded.

The value of the goodwill was justified based on several considerations:

- (i) Zhi Wei is essential for us to retain Customer A and H. Zhi Wei has been the preferred factory of Customer A, our largest customer during the Track Record Period, especially for its high end collections which can only be made at Zhi Wei because of its demanding requirements in fit and workmanship and most importantly its small order quantity per each style, normally less than three hundred pieces. Although Customer A did not forbid outsourcing in writing, to the best knowledge and experience of our Directors, it is practically not possible to find other factories which can meet Customer A's requirements on its high end collections. In addition, the orders from Customer H, one of our top five customers for the two years ended 31 March 2017 and 2018 and a quintessential luxury brand, can only be made at Zhi Wei, with outsourcing prohibited, after its rigorous selection process because of, first and foremost, Zhi Wei's history and track record of making quality high end garments and secondly, it offers the country of origin label that the brand needs;
- (ii) Zhi Wei has been closely collaborating with the merchandising and technical operation for our entire Group's business apart from its own mass order production, which includes, providing dedicated support in costing (by making all graded patterns, estimating CMP charges and calculating consumption in fabrics and trims) and product development (making large volume of time-sensitive samples, offering suggestions and improvements in the garment manufacturing). There will be expected synergy from increased efficiency as a result of migrating some of the functions currently done in our Group's Hong Kong head office to Zhi Wei. As at the Latest Practicable Date, the merchandising headcount in Hong Kong has been reduced by twelve as compared to before the acquisition of Zhi Wei at a saving of over HK\$4.0 million annually;
- (iii) Zhi Wei has a very stable core group of highly skilled and experienced sewing operators and garment technicians with about 7 to twelve years seniority with the company. This core group of employees, dedicated and well trained in making

HISTORY, DEVELOPMENT AND REORGANISATION

high-end quality garments, is likely to remain very stable because our Directors, based on their industry knowledge, believe that our staff benefit package is competitive in Panyu, Guangzhou. In addition, Zhi Wei's three most senior local managers covering production planning, merchandising and administration have been with the factory since its inception in 2007; and

- (iv) Zhi Wei, with its own showroom, has been the showcase factory for our Group in our sales and marketing efforts with all potential customers, where we are able to demonstrate the range of products we can do, the quality, workmanship and the skill content of the garments we are capable of.

The said transfer of share was settled by cash on 21 December 2016. On 19 January 2017, the Panyu Branch of Industry and Commerce Administration of Guangzhou (廣州市番禺區工商行政管理局) approved the said share transfer and the acquisition was completed. The acquisition was important since the Panyu Factory, operated by Zhi Wei, has manufactured our Group's high-priced tailored products and serves as a technical product development center for our entire business.

Acquisition of Chiefway (PVT)

On 28 February 2017, Mr. YM Siu (as vendor) and Sterling Apparel (as purchaser) entered into a share sale and purchase agreement pursuant to which Sterling Apparel acquired 9,879,154 ordinary shares (the entire issued capital) in Chiefway (PVT) from Mr. YM Siu. Our Directors would prefer to acquire the assets and liabilities of Chiefway (PVT). However, Chiefway (PVT) has owned the piece of freehold land where the Meegoda Factory is located. As advised by our Sri Lanka Legal Advisor, foreigners are not permitted to own or control freehold property directly in Sri Lanka after a new law was enacted in 2013. As a result, our Group acquired the entire equity interest of Chiefway (PVT) instead. The consideration was US\$1,200,000, which was based on the freehold value of land and buildings of approximately US\$0.9 million as at the date of acquisition, a piece of land on a freehold basis that offers rooms for further expansion; and a goodwill of approximately HK\$2.3 million was recorded. The value of the goodwill had reflected the intrinsic value for acquiring Chiefway (PVT), which represented the value of (i) having skillful and experienced workers; (ii) being the designated manufacturing factory of flight crew uniforms for Customer G; and (iii) expected synergy from increased efficiency, both on cost reduction and enhancing the production capabilities of our Group. The said transfer of shares was completed on 28 February 2017. Chiefway (PVT) operates the Meegoda Factory at Meegoda, Sri Lanka where our Group has employed its skillful and experienced workforce for manufacturing of our products since 2011. The acquisition was the first step for our Group to establish a manufacturing base in Sri Lanka, which is the pivot of our overseas development strategy. Mr. YM Siu is our executive Director, son of Mr. CW Siu, our Controlling Shareholder, and Ms. Alice Wong, our executive Director.

HISTORY, DEVELOPMENT AND REORGANISATION

Acquisition of Chiefway Lanka

On 20 March 2014, Mr. YM Siu subscribed for 8,059,825 shares in Chiefway Lanka, representing 51% of its entire issued share capital and was subsequently appointed as a director on 1 April 2014. The other shareholders who owned the remaining issued shares were all Independent Third Parties. On 28 August 2014, Mr. YM Siu acquired all of the remaining shares from the said shareholders and became the sole shareholder of Chiefway Lanka.

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser), a wholly owned subsidiary of Sterling Apparel, entered into an asset sale agreement pursuant to which Chiefway Katunayake agreed to acquire the business of Chiefway Lanka for US\$4,606,452 upon arms-length negotiations between the vendor and purchaser, with reference to the independent valuation as at date of acquisition. A gain on bargain purchase of approximately HK\$8.6 million was recorded. Our Directors further confirmed that during the negotiations between Mr. YM Siu and Sterling Apparel, an overall consideration of HK\$45.0 million (equivalent to approximately US\$5.8 million) for both Chiefway (PVT) and Chiefway Lanka was agreed between them. Our Directors are of the view that such basis of consideration is in the best interests of our Group as a whole. Except the Leasehold Land, the transfer of the said business was completed on 31 March 2017. The acquisition of the Leasehold Land was completed on 26 July 2017.

The workforce of the Katunayake Factory has experience dating as far back as 1994 when the factory was first established. This is an important strategic move in establishing our Group's manufacturing base in Sri Lanka.

Chiefway Lanka was wholly owned by Mr. YM Siu, our executive Director. Mr. YM Siu is the son of Mr. CW Siu, our Controlling Shareholder, and Ms. Alice Wong, our executive Director.

Below are further details of the said acquisition:

BOI Approval Letter

According to the BOI Approval Letter dated 22 March 2017 (as amended by a letter issued by the BOI dated 30 March 2017), the BOI approved the investment application submitted by Ms. Alice Wong (our executive Director) on 20 March 2017 to set up a project to manufacture apparel products for export by transferring employees and assets and liabilities of Chiefway Lanka (excluding a shareholder's loan) with an envisaged investment of US\$5.7 million in collaboration with Mr. William Choi (our non-executive Director and one of our Controlling Shareholders), subject to the terms and conditions stipulated in the BOI Approval Letter which shall among others be included in the agreement to be entered into with the BOI.

HISTORY, DEVELOPMENT AND REORGANISATION

The BOI Approval Letter was issued for the purposes of granting concession under section 17 of the BOI Law No.4 of 1978 and is valid for a period of sixty days from the date of the BOI Approval Letter unless otherwise extended by the BOI in writing at the request of the investor.

The following terms and conditions, among the others, as stipulated in the BOI Approval Letter, are material to the acquisition of business from Chiefway Lanka by our Group:

1. a new company is required to be incorporated in Sri Lanka for the said project;
2. the assets of Chiefway Lanka are allowed to be transferred to the said new company;
3. all employees of Chiefway Lanka should be absorbed to the said new company;
4. the Leasehold Land will be allocated to the said new company subject to certain terms stipulated in the BOI Approval Letter; and
5. upon receipt of a list of documents required in the BOI Approval Letter, the BOI will issue a draft agreement to be entered into between the BOI and the said new company.

According to the letter issued by the BOI dated 30 March 2017, the BOI replaced the investors stated on the BOI Approval Letter, namely Ms. Alice Wong and Mr. William Choi, by Sterling Apparel.

Incorporation of Chiefway Katunayake

On 31 March 2017, Chiefway Katunayake was incorporated in Sri Lanka as the said new company under the BOI Approval Letter. Chiefway Katunayake is a wholly owned subsidiary of Sterling Apparel. Mr. YM Siu is a director of Chiefway Katunayake.

Asset sale agreement

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser) entered into an asset sale agreement pursuant to which Chiefway Katunayake agreed to acquire the assets and identified liabilities (except a shareholder's loan) of Chiefway Lanka for US\$4,606,452. The consideration was settled by cash on 31 March 2017.

According to the said asset sale agreement, it is a condition subsequent that Chiefway Katunayake shall enter into an agreement with the BOI for the purpose of obtaining the Leasehold Land within a period of 60 days from 31 March 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

Except the Leasehold Land, the transfer of the said business was completed on 31 March 2017.

Confirmation of BOI on the land use of Chiefway Katunayake

On 30 June 2017, further to the BOI Approval Letter, the BOI issued a letter to grant site approval for the said project in apparel manufacturing at the location of the Katunayake Factory.

Since the signing of the asset sale agreement on 31 March 2017, Chiefway Katunayake had been occupying the Leasehold Land. On 19 July 2017, the BOI issued a letter to confirm that Chiefway Katunayake's occupation of the Leasehold Land is lawful.

Extension of time for the signing of the BOI Agreement

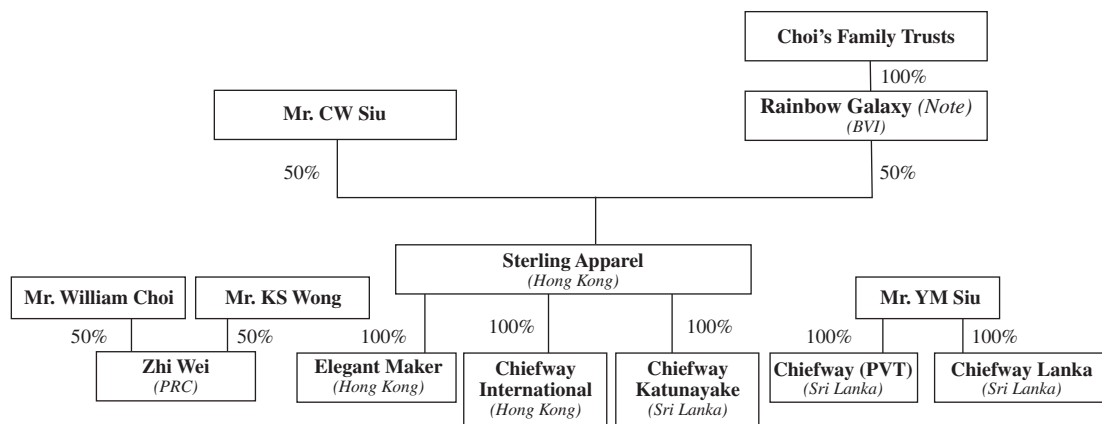
On 19 July 2017, the BOI granted a time extension of 30 days from 19 July 2017 to conclude the agreement to be entered into between the BOI and Chiefway Katunayake.

BOI Agreement

On 26 July 2017, the BOI and Chiefway Katunayake entered into the BOI Agreement. The transfer of the title of the Leasehold Land was completed on 26 July 2017.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the Share Offer and the Capitalisation Issue.



Note: Rainbow Galaxy is directly wholly owned by Angel Sense Limited, a company incorporated in the BVI. Angel Sense Limited is owned as to 50% by Mega Capital Assets Limited (a company incorporated in the BVI) and as to 50% by Capital Star Assets Limited (a company incorporated in the BVI). Each of Mega Capital Assets Limited and Capital Star Assets Limited is wholly owned by a revocable trust of which Mr. William Choi is the settlor.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

(i) Incorporation of our Company

On 6 June 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued to the initial subscriber, an Independent Third Party. On the same date, the said Share was transferred to Moonlight and one Share was allotted and issued to Rainbow Galaxy.

(ii) Acquisition of Zhi Wei by Elegant Maker

On 17 December 2016, Mr. KS Wong and Mr. William Choi (as vendors) and Elegant Maker (as purchaser) entered into a sale and purchase agreement pursuant to which Elegant Maker acquired all the equity interests in Zhi Wei from Mr. KS Wong and Mr. William Choi at a cash consideration of HK\$8,000,000 in total.

(iii) Share acquisition of Chiefway (PVT) by Sterling Apparel and business acquisition of Chiefway Lanka by Chiefway Katunayake

On 28 February 2017, Mr. YM Siu (as vendor) and Sterling Apparel (as purchaser) entered into a sale and purchase agreement pursuant to which Sterling Apparel acquired all the issued shares in Chiefway (PVT) from Mr. YM Siu at a consideration of US\$1,200,000 on the same date.

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser) entered into a sale and purchase agreement pursuant to which Chiefway Katunayake acquired the business of Chiefway Lanka at a consideration of US\$4,606,452.

(iv) Incorporation of (1) Moonlight; (2) Excel Tops; (3) Winfield; (4) Win 18; (5) Win 19 and (6) Win 20

On 19 April 2017, Moonlight was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 16 May 2017, 10,000 shares in Moonlight were allotted and issued to Mr. CW Siu, credited as fully paid.

On 11 May 2017, Excel Tops was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 23 May 2017, 10,000 shares in Excel Tops were allotted and issued; 5,000 of which to Moonlight and 5,000 of which to Rainbow Galaxy, both credited as fully paid.

On 11 May 2017, Winfield was incorporated in Hong Kong with limited liability. On the same date, 50 shares of Winfield were allotted and issued to Mr. CW Siu and 50 shares of Winfield were allotted and issued to Rainbow Galaxy. On 18 May 2017, Mr. CW Siu transferred 50 shares of Winfield to Moonlight.

HISTORY, DEVELOPMENT AND REORGANISATION

On 19 May 2017, Win 18, Win 19 and Win 20 were incorporated in Hong Kong with limited liability. Win 18, Win 19 and Win 20 are all wholly owned by Winfield.

(v) Acquisition of the shares in Sterling Apparel by Winfield

On 24 May 2017, Mr. CW Siu and Rainbow Galaxy (as vendors) and Winfield (as purchaser) entered into a sale and purchase agreement pursuant to which each of Mr. CW Siu and Rainbow Galaxy transferred 50% shareholding interests in Sterling Apparel to Winfield in consideration of Winfield allotting and issuing, credited as fully paid, 50 shares of Winfield to Moonlight (at the direction of Mr. CW Siu) and 50 shares of Winfield to Rainbow Galaxy.

(vi) Transfer of the Property from Sterling Apparel to Win 18, Win 19 and Win 20

On 25 May 2017, Sterling Apparel (as vendor) and each of Win 18, Win 19 and Win 20 (as purchasers) entered into a sale and purchase agreement respectively pursuant to which the Property will be transferred to Win 18, Win 19 and Win 20. The properties to be owned by Win 18, Win 19 and Win 20 are Win 18 Premises, Win 19 Premises and Win 20 Premises respectively.

The total consideration under the three sale and purchase agreements is HK\$92,269,449, and was settled on 25 May 2017. The purchase prices under the said sale and purchase agreements payable by Win 18, Win 19 and Win 20 to Sterling Apparel were set off against the debts owed by Sterling Apparel to Win 18, Win 19 and Win 20 respectively, on a dollar-to-dollar basis. The consideration is based on the net book value of the Property as at 31 March 2017 which our Group adopted from the audited financial statements. Since the Property is not an operating asset of Sterling Apparel and does not form an integral part of its business, Sterling Apparel decided not to hold the Property upon Listing.

As at the date of the transfer of the Property, Win 18, Win 19 and Win 20 were all wholly-owned subsidiaries of Winfield. Winfield was owned equally between Moonlight and Rainbow Galaxy. The transfer of the Property was completed on 7 February 2018.

(vii) Acquisition of Sterling Apparel by Excel Tops

On 12 June 2017, Winfield (as vendor) and Excel Tops (as purchaser) entered into a sale and purchase agreement pursuant to which Winfield transferred 100% shareholding interests in Sterling Apparel to Excel Tops in consideration of Excel Tops allotting and issuing, credited as fully paid, 5,000 shares of Excel Tops to Moonlight and 5,000 shares of Excel Tops to Rainbow Galaxy.

(viii) Acquisition of Excel Tops by our Company

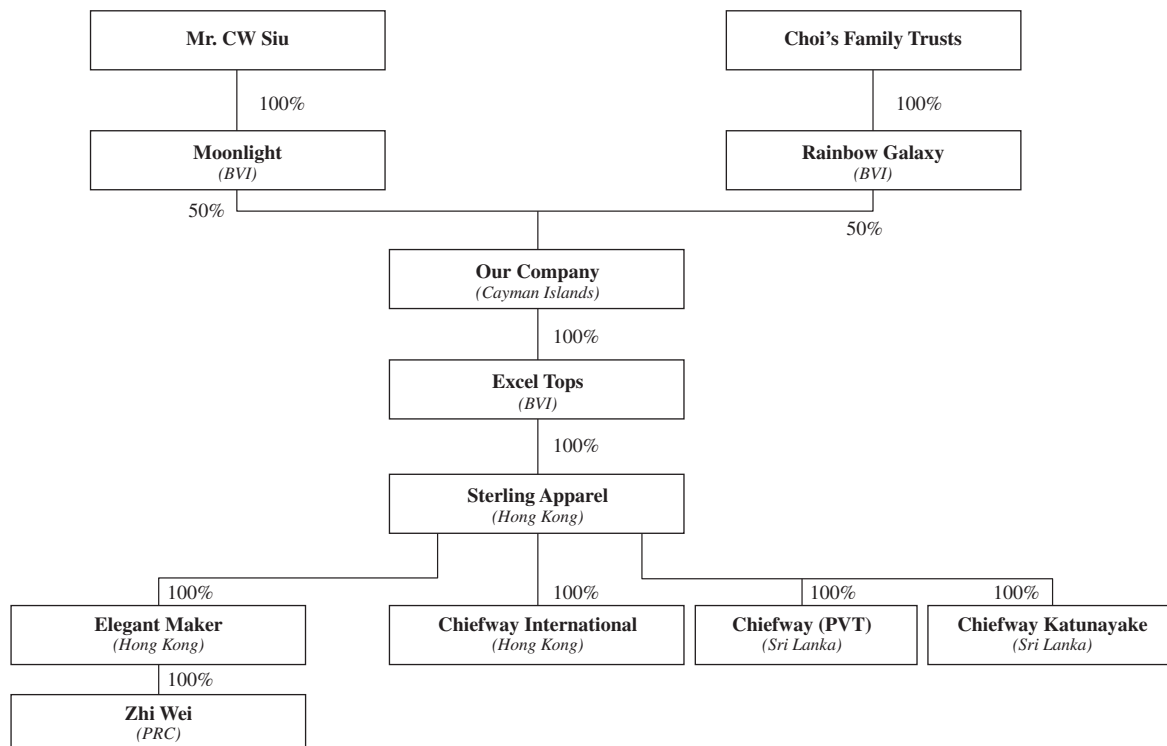
On 18 September 2018, Moonlight and Rainbow Galaxy (as vendors) and our Company (as purchaser) entered into a sale and purchase agreement pursuant to which each of Moonlight and Rainbow Galaxy transferred 50% shareholding interests in Excel Tops to our Company in

HISTORY, DEVELOPMENT AND REORGANISATION

consideration of our Company allotting and issuing, credited as fully paid, 49 Shares of our Company to Moonlight and 49 Shares of our Company to Rainbow Galaxy.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE SHARE OFFER AND THE CAPITALISATION ISSUE

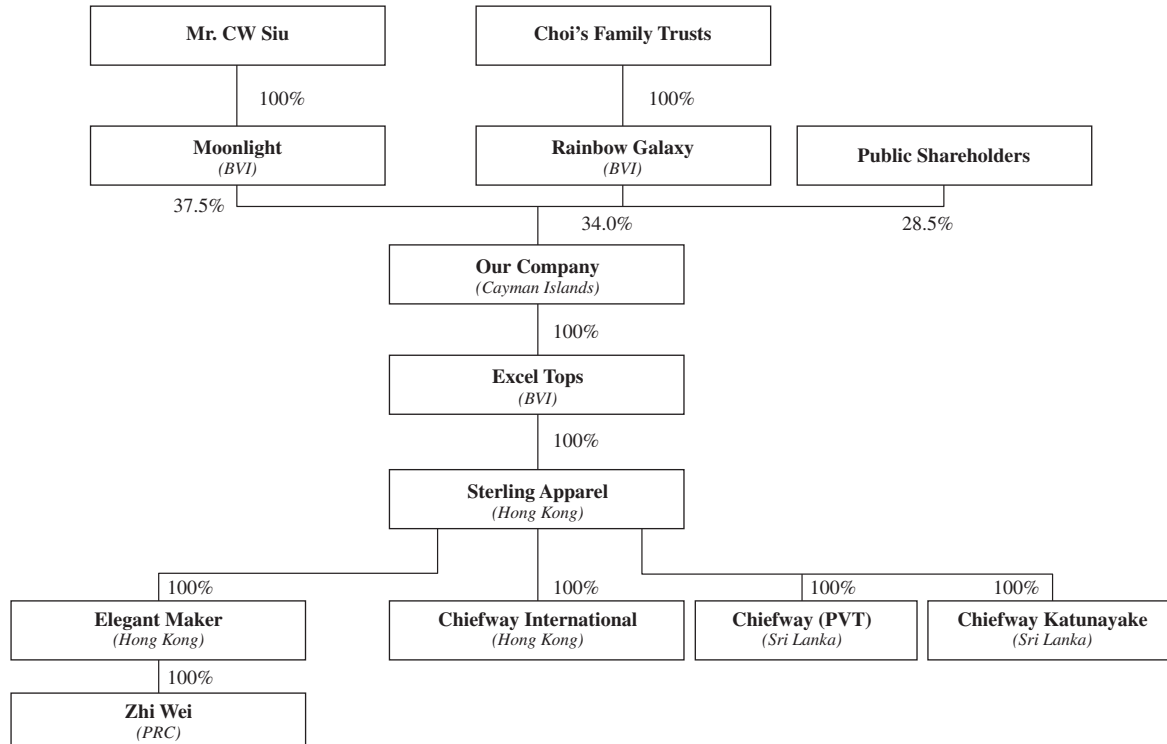
The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Share Offer and the Capitalisation Issue.



HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE SHARE OFFER AND THE CAPITALISATION ISSUE

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme and assuming no Offer Size Adjustment Option is exercised.



BUSINESS

OVERVIEW

Established in 1993, our Group is a woven apparel manufacturer for international apparel brands with a diversified product portfolio for men, women and children. Our products can be grouped into four major categories, namely, (i) outerwear (e.g. jackets, coats and blazers); (ii) bottoms (e.g. pants, shorts and skirts); (iii) tops (e.g. shirts, blouses and tank tops); and (iv) others (e.g. dresses and suits). Our Group's customers mainly comprise international apparel brands that are headquartered in the U.S. and certain European countries such as the U.K. and Spain with their products sold around the world. With an operating history of more than 23 years, we are committed to providing our customers with high quality apparel products. We aim to provide our customers with quality apparel products by placing emphasis on workmanship and fit. Leveraging on our extensive experience in the apparel industry and with an objective to diversify our product portfolio, we recently pursued new opportunities to expand our business and diversify our base of customers. During the year ended 31 March 2017, we established our presence in the business uniform market by supplying flight crew uniforms for a U.S. airline.

During most of the Track Record Period, our Group outsourced the production process of our products to third party factories with whom we have maintained long-term business relationships and related party factories. We work closely with third party factories and related party factories to align our requirements in product quality and would provide guidance to them during different stages of the production process. In order to increase our operating flexibility and have better control over product quality, we acquired (i) Zhi Wei, (ii) Chiefway (PVT) and (iii) the Katunayake Factory in January 2017, February 2017 and March 2017, respectively. Since then, the production of our products will first be allocated to our production facilities. For further details of the acquisitions, please refer to the section headed "History, development and Reorganisation – Major acquisitions" in this prospectus. Nonetheless, we would still outsource the production process to third party factories as a supplement to our manufacturing capacity from time to time. For further details, please refer to the paragraph headed "Production management" in this section.

For the years ended 31 March 2016, 2017 and 2018, our Group's revenue was approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million, respectively. The sales order quantity of our Group was approximately 2.9 million pieces, 3.8 million pieces and 4.4 million pieces for the same period. Our total profit and comprehensive income was approximately HK\$26.2 million, HK\$31.1 million and HK\$19.9 million for the years ended 31 March 2016, 2017 and 2018, respectively. The following table sets forth the breakdown of our Group's revenue by product categories for the years ended 31 March 2016, 2017 and 2018:

	2016		Year ended 31 March 2017		2018	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Outerwear	194,394	35.0	239,662	35.7	221,688	32.8
Bottoms	233,266	41.9	280,000	41.7	286,345	42.3
Tops	43,092	7.7	33,459	5.0	38,178	5.6
Others <i>(Note)</i>	85,361	15.4	117,834	17.6	130,645	19.3
Total revenue	<u>556,113</u>	<u>100.0</u>	<u>670,955</u>	<u>100.0</u>	<u>676,856</u>	<u>100.0</u>

Note: Others comprise dresses, suits, gown, scarf, jumpsuits and vests.

BUSINESS

Going forward, our Directors confirm that we will continue to adhere to our business principles of providing high quality apparel products to our customers and placing emphasises on quality, workmanship and fit. We believe our relentless pursuit of these business principles will lead to sustainable business growth and create long-term value for our Shareholders.

OUR COMPETITIVE STRENGTHS

Our Directors believe the following strengths have contributed to our success and have differentiated us from our competitors. Our competitive strengths include:

Ability to manufacture a diversified range of apparel products

Based on our Group's long operating history and experience, we are able to manufacture a wide variety of products based on our customers' requirements and specifications. We manufacture a wide range of apparel products for men, women and children, which include jackets, coats, blouses, dresses, suits, skirts, etc. Our Directors consider that we have gained extensive experience in the apparel industry throughout the years and such experience has enabled us to expand our product portfolio in recent years. For the year ended 31 March 2017, we received orders for the manufacturing of flight crew uniforms for a U.S. airline, thus expanding our product portfolio to cater for the business uniform market.

We believe that such ability to diversify our product offerings would enable our Group to expand our customer base which would be beneficial to our further expansion and creating long-term growth.

Established long-term relationships with customers who are international apparel brand names

The majority of our customers are international apparel brands that are headquartered in the U.S. and certain European countries such as the U.K. and Spain. As at the Latest Practicable Date, we had maintained business relationships with our customers for a period ranging between approximately two to 21 years. In particular, our Group's business relationship with our largest customer, Customer A, commenced in the 1990s. Our Directors believe that the bedrock of our long-standing relationship with our customers is our meticulous attention to workmanship and fit and the proven performance we have maintained over the years in product quality, delivery and in general, our responsiveness to the needs of our customers.

Furthermore, our Directors believe that our close relationship with our major customers and their positive feedback in respect of our reliable performance would also help us attract new customers around the world which share similar profile and market positioning as our existing customers.

Established long-term relationships with third party factories

As the market demand for apparel products would fluctuate between peak season and low season, our Directors consider that it is important for our Group to secure a reliable source of production capacity throughout the year beyond our own production facilities. We

tend to maintain stable relationships with third party factories with consistent quality so that our operations and production would not experience any delays from time to time. As at the Latest Practicable Date, our Group had maintained business relationships with our major third party factories for a period ranging between approximately two to six years. We have not entered into any long term agreements with any of our third party factories as business is generally done on an order-by-order basis. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material disagreement between our Group and the third party factories arising from product defects or other quality issues in relation to raw materials.

Leveraging on our established relationships with third party factories with whom we have developed an understanding of our requirement on workmanship and quality standards in fit and finish, we believe that our Group has enhanced our sourcing ability befitting our market positioning, which in turn adds value for our customers.

Stringent quality assurance and control measures

We have adopted stringent quality assurance and control measures in order to ensure that our products are of a quality standard satisfactory to our customers. Our technical and quality control department performs on-site inspections, checks and assessments at our own production facilities and the production facilities of the third party factories during each material stage of the production process. These inspections, checks and assessments are performed to ensure that our products comply with our customers' specifications and/or other applicable standards and requirements.

As at the Latest Practicable Date, our technical and quality assurance department comprised a total of 388 employees who are stationed in Hong Kong, the PRC and Sri Lanka. Our technical and quality assurance department is fully conversant with the latest quality standards, such as the AQL standard and safety standards applicable to apparel products and the raw materials used for our product production. We work and collaborate closely with third party factories and monitor the quality from the sample production stage to pre-production meeting to inline inspection, and final inspection prior to shipment. We are actively involved in the quality assurance process in order to ensure the adequacy, suitability, effectiveness and efficiency of our quality control and assurance measures at all times.

Our Directors consider that gaining the trust and confidence of our customers is of paramount importance to us and we believe that by adopting a stringent quality control standard and measures, we would be able to maintain the trust and confidence of our customers.

The geographical advantage of our production facilities located in the PRC and Sri Lanka

In early 2017, we acquired three production facilities, one of which is located in Panyu, the Guangdong Province of the PRC. We believe that the location of our Panyu Factory is advantageous to our operations with access to highly skilled labour for our apparel products, and it also operates as our Group's major technical, sample-making and product development centre. Its proximity to our merchandising function in Hong Kong enables us to respond to our customers' needs efficiently and effectively.

BUSINESS

Our Directors further believe that our production facilities in Sri Lanka, which are located in Katunayake and Meegoda, provide us a competitive advantage over our competitors (i.e. competitive cost structure relative to China and other Asian countries, English speaking ability, history of apparel manufacturing experience and the proximity of Sri-Lanka to shipping lane to America and U.K.). With the relatively low cost of labour for the production of our Group's generally higher-priced products and geographical advantage in Sri Lanka, we believe that we would be able to lower our operating costs and generate higher profitability.

Experienced management team with a proven track record

We have a stable management team which comprises a group of experienced executives, some of whom have had over 20 years of experience in apparel manufacturing and/or related industries. Some of these executives have been working with us for a period ranging from approximately three years to over 15 years. In particular, our executive Director, Ms. Alice Wong, has worked in the apparel industry for over 20 years and has played a leading role in our Group's growth and development.

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

Our Directors expect that our experienced management team will continue to lead our business growth in the apparel industry. For further details of our management team's experiences, please refer to the section headed "Directors, senior management and staff" in this prospectus.

OUR BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our overall competitiveness and market position in the apparel industry. We intend to achieve our objective by leveraging on our Group's competitive strengths and adopting the following key business strategies:

Building on our long term relationship with existing customers and diversifying our Group's base of customers

Our Directors believe that in order to achieve steady business growth from a more stable portfolio of customers, it is desirable for us to reduce our reliance on our largest customer by diversifying our base of customers. The revenue derived from our largest customer, Customer A, amounted to approximately HK\$531.1 million, HK\$465.5 million and HK\$339.5 million for the years ended 31 March 2016, 2017 and 2018, respectively, which accounted for approximately 95.5%, 69.4% and 50.2% of our total revenue during the same years. Nonetheless, our Directors are of the view that such reliance on Customer A does not render us unsuitable for the Listing. For further details, please refer to the paragraph headed "Reliance on Customer A" in this section.

BUSINESS

With an aim to diversify our base of customers and reduce our reliance on Customer A, we plan to expand our customer base by proactively approaching potential customers for business opportunities through various channels, such as developing a more proactive sales function by hiring sales executives or sales agencies exploring different markets outside of the U.S. and pursuing business referrals from our existing customers and suppliers. We took effort in pursuing sales leads from industry contacts and associates. While we continued to provide sample-making services for prospective customers, we have taken a further step by providing a dedicated sewing room, allocated a secured trims storage for luxurious apparel brands and had also assembled an exclusive production management team to better accommodate our prospective customers' requests.

Our Directors are of the view that we are making significant progress in diversifying our base of customers as we had successfully secured orders from three new customers for the year ended 31 March 2017. For the year ended 31 March 2018, our revenue amounted to approximately HK\$676.9 million, of which approximately HK\$285.3 million and HK\$29.1 million was derived from our new customers, Customer G and Customer H, representing approximately 42.1% and 4.3% of our total revenue. As at the Latest Practicable Date, the confirmed sales orders from our customers amounted to approximately HK\$380.6 million, of which approximately HK\$174.7 million and HK\$31.3 million derived from Customer G and Customer H, representing approximately 45.9% and 8.2% of our total confirmed sales orders, respectively.

Further upgrade and enhance our Group's production facilities

As at the Latest Practicable Date, we operate three production facilities, namely the Panyu Factory, the Meegoda Factory and the Katunayake Factory, which have a total GFA of approximately 19,998 sq.m..

Our Directors believe that the increase in our production capacity will provide cost-saving opportunities and better control over quality and delivery relative to outsourcing. Our Directors believes that there should be cost-saving opportunities as (i) third party factories have to be making an economic profit to stay in business, everything being equal, doing the production in house should allow us to have better cost control; and (ii) expanding our production base may bring about lower average unit cost of production from economy of scale as a result of sharing the management and administration overheads that are already in place. For the year ended 31 March 2018, the total sales volume of our Group amounted to approximately 4.4 million pieces, whereas the output of the Panyu Factory and the two Sri Lanka factories was approximately 0.7 million pieces and 0.8 million pieces, respectively, which only accounted for approximately 15.9% and 18.2% of our total sales volume. Our Directors are of the view that there is a business need for the expansion of the Three Factories due to the following reasons: (i) as at the Latest Practicable Date, our customers show varying degrees of preference in where their production comes from. Among our top five customers, Customer H requires their products to be produced in our own factories and no outsourcing is allowed; and Customer G requires their flight crew uniforms products to be produced in our own factories. As such, we did not outsource any production of the aforesaid products during the Track Record Period. Given the preference of our major customers, our Directors considers there is a business need for the expansion of our Group's production facilities; (ii) based on our

BUSINESS

Directors' past experience, in general, the more high-end is the apparel brand, the greater is their insistence that their products can only be made in-house. Making higher-end tailored apparel products requires the manufacturers to have better quality control and deeper involvement throughout the entire product development, merchandising and production process. We intend to diversify our customer base and maintain our market positioning as a manufacturer of higher-end tailored apparels; and (iii) based on our estimated production capacity by the working hours of machinery, our Directors believe the Three Factories were fully utilised. As such there is a business need to further enhance our production capabilities and capacities.

Hence, in order to convert more of our outsourcing to in-house production to further strengthen our position as a manufacturer, we plan to expand our production facilities as follows:

- (i) purchase additional machineries for our production facilities: based on the preliminary quotations obtained by us, we estimate that the capital expenditure for the purchase of new machineries and equipment for three additional outerwear sewing lines and two additional pants sewing lines will be approximately HK\$7.5 million. The following table sets forth the particulars of additional machineries and equipment and their estimated capital expenditure:

Major machineries and equipment	Number	Estimated capital expenditure HK\$'000
Fusing machines	3	2,100
Cutting machines	25	334
Sewing machines	145	1,237
Pocket welt machines	10	2,000
Iron table and Ironer	32	346
Other special machines	25	1,503
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Total	240	7,520
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- (ii) upgrade our existing machineries and equipment in our cutting department to cope with the planned increase in production. We intend to use approximately HK\$2.2 million for upgrading our existing machineries and equipment; and
- (iii) continue to expand and refurbish our production facilities: as at the Latest Practicable Date, our Katunayake Factory occupies a land area of five acres on a 50-year lease, on which we may erect a new building as an addition to the existing factory to house five additional sewing lines: (i) three for outerwear and jackets; and (ii) two for pants, shorts and skirts, to expand our production capacity. We intend to use approximately HK\$10.0 million for construction of the new addition including the necessary infrastructure.

BUSINESS

We target to finish the upgrade and enhancement by February 2021. The following table sets out our plan to upgrade and enhance our production facilities by stages:

Time		Description
For the six months ending 30 April 2019	Month 1 – Month 6	Commence feasibility study – developing site engineering plans and drawings of a new building, obtaining necessary approval-in-principle, developing more detailed layout of the production floors, obtaining quotations from contractors
For the year ending 30 April 2020	Month 7 – Month 18	Construction of buildings
For the three months ending 31 July 2020	Month 19 – Month 21	Leaseholds improvements and installation of new machineries and equipment
For a month ending 31 August 2020	Month 22	Relocation of production department, including existing inventories of raw materials and work-in-progress and all staffs, from old factory building to new factory building
For the five months ending 31 January 2021	Month 23 – Month 27	Refurbishing, retrofitting and renovation of old building including its machinery and equipment
For a month ending 28 February 2021	Month 28	New production crew commences at the renewed old factory building

Our Directors consider there will not be any material loss of revenue during the course of upgrade and enhancement with reason as follows:

- (i) as per the aforesaid table, we will build the new production facilities in parallel with the operation of old production facilities;
- (ii) the relocation of production department in our existing production facilities will be based on the progress to ensure smooth operations of both side; and
- (iii) the actual physical relocation of our production facilities is scheduled to finished within a month, which is a short period of time.

Continue to pursue strategic acquisitions, investments and alliance opportunities to capture other potential market opportunities

We have been actively seeking strategic acquisitions and investment opportunities that complement our business, including opportunities that help us expand our sales network, achieve greater synergies and diversify our business risks. For instance, (i) acquiring an additional factory in Sri Lanka (where we have already established our operating base and management team) would share our overheads and reduce our unit cost of production; and (ii) a factory in northern or western parts of the PRC where labour supply and cost are much more favourable is complementary to our presence in Southern China where the labour cost is high and availability low. We usually seek potential acquisition opportunities and investment candidates based on our industry experience. Our customers, suppliers or competitors may also approach us proactively with potential mergers and acquisitions opportunities.

The criteria we use in evaluating our target garment factory are: (i) compliance with CSR (corporate social responsibility) and EHS (environmental health and safety) requirements of major international apparel brands without further excessive cost of improvement; (ii) factories that improves our competitive strength by offering a right mix of production costs and skill levels of their machine operators that can support our business growth and diversification; (iii) factories that are located in our current base of operations have preference over those in other countries; and (iv) factories that produces at least 500,000 pieces of apparel produces annually.

Strategically, once we have identified a target for acquisition, we will plan to acquire or invest in by (i) mergers or acquisitions by way of asset purchase (acquiring majority shareholding of the target); (ii) share investment (acquiring majority shareholding of the target); or (iii) establishing joint venture companies by entering into business collaboration with the target garment factory. The capital required for the acquisitions and/or investments of forming business collaboration with potential targets would depend, to a large extent, on the size of the acquisition targets or the investee companies.

As at the Latest Practicable Date, we have approached certain potential targets (garment factories in the PRC) but no legally binding agreement has been reached yet.

As at the Latest Practicable Date, our Group is in the process of identifying potential acquisitions targets. We have not identified any acquisition target or entered into any formal negotiation or signed any agreement with any potential target.

Further enhance our information technology systems

As part of our Group's future growth and expansion, we intend to implement an apparel ERP system in order to coordinate among Chiefway International and the Panyu Factory, the Meegoda Factory and the Katunayake Factory, which will perform the following functions:

- (i) order processing – to record and manage our sales orders in a database;
- (ii) bill of materials – to identify the materials used in each apparel product and enable costing and quotation;
- (iii) material requirement planning – to calculate the fabrics and trims required to produce each order and to enable issuance of purchase orders for the procurement of raw materials;
- (iv) production planning and control – to monitor and optimize order allocation to different production sites to ensure full utilization of our own production facilities while meeting delivery requirements;
- (v) material receipt and inventory management – to record the receipt of materials from the purchase orders issued into the inventory system as well as to keep track of material issuance to the production floors;
- (vi) production – to monitor the production flow of each sales order from cutting to sewing, finishing, packing and transfer to finished goods; and
- (vii) shipping & invoicing – to generate shipping documents and invoices for goods shipped against each sales order and to allow for an accounting of the materials input into the production floor vs. finished products shipped.

Our Directors believe that the implementation of the apparel ERP system would enhance the overall efficiency of Group's operations.

OUR BUSINESS MODEL

Currently, we provide one-stop apparel manufacturing solutions to our customers, with our own production facilities located in the PRC and Sri Lanka. We manufacture a wide range of apparel products for men, women and children, which include outerwear, bottoms, tops and others. Prior to the acquisition of our production facilities, we outsourced all of our production process to third party factories and related party factories and we closely monitored their manufacturing throughput and product quality. We began our own production upon the acquisition of Zhi Wei, which operates the Panyu Factory, with a view to established the credentials of our Group's positioning and rationalise the corporate structure. The Panyu Factory also serves as a technical and product development centre for our Group. Subsequent to the acquisition of Zhi Wei, we further acquired Chiefway (PVT) and the Katunayake Factory. Our Directors consider that our acquisition in Sri Lanka is a strategic move to establish a manufacturing base in a country where the cost of production is relatively lower than China's and is competitive with other Southeast Asian countries such as Vietnam, Cambodia, Thailand and Indonesia.

Although the said acquisitions may seem to constitute a change to our business model, our Directors consider that our acquisitions did not cause a significant change to our operation flow, save the factory operation itself, for the provision of apparel manufacturing services to our customers. All key operational functions performed by us (e.g. negotiating with customers, receivable collection, procurement of materials, quality assurance and managing logistics of raw materials and finished goods) remain unchanged and continue after the acquisition. For further details of the change to our business model, please refer to the paragraph headed "3. Production management" in this section.

Our products are manufactured based on our customers' specifications and designs. We have our own procurement team which specialises in fabrics and trims and would offer suggestions or substitutes of comparable materials to our customers often at a competitive price. We may also procure materials from suppliers who are nominated by our customers. Once the samples have been approved by the customer, we would allocate the production orders to our respective production facilities and/or third party factories according to the complexity of the apparel products and the factories' capacities. Finished products in specified packing will be delivered from our factories to our customers' appointed forwarders and/or our warehouses in Hong Kong. We also have in place a strict quality control and assurance system and a set of in-house operation and quality standards, which encompasses sample making, raw material procurement, factory operations and final inspection.

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The following diagram illustrates the flow of operations involved in the provision of our apparel manufacturing services:



BUSINESS

1. Product origination and development

Our product origination process includes (i) product development, (ii) sample making and (iii) raw material sourcing. After receiving enquiries from our customers we will produce samples in accordance with our customer's designs and specifications before the actual orders are placed with us. This stage involves back and forth discussions with our customers before the sample can be finalised. We would also ensure that the samples can be replicated in a cost-effective way during mass production. Once our customers are satisfied with and have granted the approval of the sample, we will finalise the details of the purchase orders with our customers, which would normally include the quantity, price, product specifications and delivery arrangement. Our customers will then place the orders with us based on the aforementioned details. For the years ended 31 March 2016, 2017 and 2018, the cost incurred from sample making amounted to approximately HK\$7.2 million, HK\$6.7 million and HK\$6.9 million, respectively.

Our technical department is generally responsible for developing samples for our customers and interpreting our customers' technical requirements in making the samples and bulk goods, including the development of graded patterns and marker layout, calculating fabric consumption and advising on the production process when necessary. Our technical department communicates regularly with our merchandising department during the sample making process in order to fine-tune the sample based on, among other things, (i) adherence to our customer's designs, (ii) appearance and fitting and (iii) suitability for mass production. Our technical department is also equipped with specialised apparel softwares and other facilities in order to assist them to develop the sample. As at the Latest Practicable Date, our technical department comprised a total of approximately 202 employees who are stationed in Hong Kong, the PRC and Sri Lanka.

Our products

Our apparel products can generally be divided into four categories, namely (i) outerwear, (ii) bottoms, (iii) tops and (iv) other products such as dresses, suits, gown, scarf, jumpsuits and vests. For the years ended 31 March 2016, 2017 and 2018, the largest portion of our revenue was derived from the sales of bottoms, which amounted to approximately HK\$233.3 million, HK\$280.0 million and HK\$286.3 million, respectively, representing approximately 41.9%, 41.7% and 42.3% of our total revenue for the corresponding periods. The following table sets forth the breakdown of our Group's revenue by product categories during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Outerwear	194,394	35.0	239,662	35.7	221,688	32.8
Bottoms	233,266	41.9	280,000	41.7	286,345	42.3
Tops	43,092	7.7	33,459	5.0	38,178	5.6
Others	85,361	15.4	117,834	17.6	130,645	19.3
Total revenue	<u>556,113</u>	<u>100.0</u>	<u>670,955</u>	<u>100.0</u>	<u>676,856</u>	<u>100.0</u>

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(i) *Outerwear*

Our outerwear products mainly include jackets, coats and blazers and are mainly made from wool and wool blend. Set forth below are pictures of some of our outerwear products:



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(ii) Bottoms

Our bottoms products mainly include pants, shorts and skirts and are mainly made from cotton, wool and cotton blend. Set forth below are pictures of some of our bottoms products:



(iii) Tops

Our tops products mainly include shirts, blouses and tank tops and are mainly made from cotton, polyester, triacetate and lyocell. Set forth below are pictures of some of our tops products:



(iv) Other products

Other products mainly include dresses, suits, gown, scarf, jumpsuits and vests and are mainly made of cotton, wool and wool blend. Set forth below are pictures of some of other products:



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Sales volume

During the Track Record Period, the sales volume of our Group amounted to approximately 2.9 million pieces, 3.8 million pieces and 4.4 million pieces of finished apparel products. The following table sets forth the total sales volume of each product category during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	('000 pieces)	% of total volume	('000 pieces)	% of total volume	('000 pieces)	% of total volume
Outerwear	441	15.3	566	14.7	672	15.4
Bottoms	1,721	59.9	2,538	66.0	2,782	63.6
Tops	364	12.7	178	4.6	264	6.0
Others	348	12.1	564	14.7	655	15.0
Total sales volume	<u>2,874</u>	<u>100.0</u>	<u>3,846</u>	<u>100.0</u>	<u>4,373</u>	<u>100.0</u>

Average selling price

The following table sets forth the average selling price of our products under each product category during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	Price range HK\$	Average selling price per piece HK\$	Price range HK\$	Average selling price per piece HK\$	Price range HK\$	Average selling price per piece HK\$
Outerwear	108.9–6,237.2	440.5	106.7–3,799.7	423.2	89.5–2,503.6	329.9
Bottoms	53.5–9,555.8	135.6	50.4–3,037.4	110.3	37.2–3,225.8	102.9
Tops	61.2–5,080.1	118.3	63.5–3,350.2	187.6	71.4–713.1	144.6
Others	102.3–1,633.7	245.7	93.0–2,005.7	209.4	84.2–1,803.1	199.5
Total average selling price per piece		<u>193.5</u>		<u>174.5</u>		<u>154.8</u>

Sales merchandising process

When our customers have determined their purchase plan for a new season (together with the product specifications such as product description, sketches, product styles, colors, sizes, quantities, etc.), they will approach us for cost quotations and would often require us to enclose a breakdown of our estimated costs (i.e. cost of raw materials, the estimate CMP costs, etc.). Once we have submitted the cost quotation to our customers, we would undergo a few rounds of negotiations with our customers before the selling price is concluded and accepted by both parties.

Our Group generally determines the selling price of our products primarily on, among other things, (i) the complexity of the product design and manufacture; (ii) the quantity of an order; (iii) the technical requirements of our customers; (iv) the cost of raw materials; (v) the CMP costs as quoted by our own manufacturing facilities or third party factories; and (vi) our desired profit margin. Accordingly, the selling prices of our products may differ considerably.

2. Procurement of raw materials

Our Group's merchandising and trims procurement department is responsible for (i) sourcing the raw materials required for our orders; (ii) obtaining quotations and negotiating with suppliers; and (iii) issuing purchase orders for raw materials. As at the Latest Practicable Date, our merchandising and trims procurement department comprised a total of approximately 86 employees who are stationed in Hong Kong, the PRC and Sri Lanka. We or the third party factories generally source suitable raw materials, such as fabrics, linings and buttons from suppliers which are either recommended by us or nominated by our customers. We engage our suppliers to provide a raw material sample and a price quotation based on the finalised product design and specifications. We generally place orders with our suppliers once our customers have confirmed their orders and are satisfied with the samples we have produced. The raw materials will then be delivered to the production facility as per our production allocation.

During the Track Record Period, we outsourced the production process to third party factories and related party factories. Normally, our Group would decide whether to provide raw materials to the third party factories and related party factories for production or to require them to source and/or procure raw materials for their own production, depending if the third party factory is a CMP and/or FOB factory.

For further details of our suppliers, please refer to the paragraph headed "Our suppliers" in this section.

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Raw materials

The principal raw materials used in the production of our apparel products include fabrics and linings. The fabrics we use primarily consist of cotton and wool. We may also purchase accessories such as buttons, zippers, packaging materials, brand labels, hanging tags and other accessories. During the Track Record Period, we sourced these materials from various suppliers, many of which are based in Hong Kong and the PRC while some, which are mostly located on Europe, are nominated by our customers. The following table sets forth a breakdown of our cost of raw materials during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of total cost of raw material</i>	<i>HK\$'000</i>	<i>% of total cost of raw material</i>	<i>HK\$'000</i>	<i>% of total cost of raw material</i>
Fabrics	103,128	70.2	143,202	73.9	128,499	69.6
Trims	23,981	16.3	23,260	12.0	24,008	13.0
Linings	19,852	13.5	27,312	14.1	32,041	17.4
Total	<u>146,961</u>	<u>100.0</u>	<u>193,774</u>	<u>100.0</u>	<u>184,548</u>	<u>100.0</u>

For the years ended 31 March 2016, 2017 and 2018, our fabric purchases accounted for a substantial amount of our cost of raw materials, representing approximately 70.2%, 73.9% and 69.6%, respectively. According to the Ipsos Report, prices of raw materials generally used by our Group experienced fluctuations during the Track Record Period. We take into account such fluctuations in raw material costs when we price our apparel products. We did not undertake any other strategy to minimise the exposure to the possible price fluctuation of raw materials as we have adopted and customers also expect from us a cost-plus pricing model which always reflects the current cost of materials. For further details of the risks relating to the fluctuation of prices of our raw materials, please refer to the section headed “Risk factors – Risks relating to our business – Fluctuation in the price, availability and quality of raw materials could affect our or our suppliers’ production, which would then result in increased costs for us” in this prospectus.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have not experienced any shortage of raw materials and/or quality issues with our raw materials that materially affected our operations.

3. Production management

We provide one-stop manufacturing services for apparel products to our customers. Prior to operating our own production facilities, we outsourced all of our production process to third party factories and related party factories. After we acquired Zhi Wei in January 2017, we commenced our own in-house production of apparel products at our Panyu Factory. Subsequent

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to the acquisition of Zhi Wei, we acquired Chiefway (PVT) and the Katunayake Factory. For further details of the acquisitions, please refer to the section headed “History, development and Reorganisation – Major acquisitions” in this prospectus. Although we have acquired our own production facilities, we will continue to outsource the production process to third party factories as a supplement to our manufacturing capacity throughout the year.

Prior to our acquisitions, Zhi Wei and Chiefway Group Limited served as our primary suppliers and the Three Factories had only served our Group and provided manufacturing services to us during the Track Record Period. Once our customers confirm a purchase order, we would allocate the production orders to third party factories and related party factories, which include the Three Factories. We would pay subcontracting fees and/or cost of finished goods to them in return for their manufacturing services. For further details of procurement, please refer to the paragraph headed “2. Procurement of raw materials” in this section.

After the said acquisitions, the operation flow of our order management remains unchanged. Once our customer confirms the purchase orders, our merchandising department will circulate the details of the order to all the relevant departments for devising the production plan. We would then allocate the production orders among the Panyu Factory, the Meegoda Factory, the Katunayake Factory and other third party factories. The order allocation is mainly dependent on the nature of the products, the relative CMP costs and/or FOB costs of each factory and their production capacity. We will also ensure the quality of the apparel products produced by third party factories as we have stationed our quality control staff there on an ongoing basis. We closely monitor the performance of the third party factories by conducting inspections at various stages of the production process for quality control purposes.

Further, acquiring the Three Factories provided the following benefits to our Group: (i) help solidify our position as a manufacturer, instead of a supply chain service providers; and (ii) enable us to bring in-house and exert better control over the production process (i.e. to quickly determine the fabric consumption, to apply our knowledge and experience in the technical aspect of rendering an apparel product true to its design, to enable us to provide different options to customers in sample development stage, to have the capacity to produce large number of samples under time constrains, etc.).

Our manufacturing department is responsible for (i) formulating the production plans of our production facilities; (ii) allocating the production orders among our production facilities and/or third party factories; (iii) ensuring the supply of fabrics and trims in times to meet order delivery; (iv) production of our apparel products; and (v) making appropriate adjustments in the course of production. As at the Latest Practicable Date, our manufacturing department comprised a total of approximately 1,395 employees who are stationed in the PRC and Sri Lanka. We conduct general production planning based on our forecasted sales orders prepared by our merchandising department and will conduct detailed production planning based on the actual orders received. We will review and adjust our production plans regularly to ensure that all finished apparel products can be delivered in accordance with our customers’ delivery dates. We are generally able to manage the lead time between the receipt of orders and shipping the finished products in approximately three to four months.

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Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material delays in our production process, or any material adverse consequences from any defective apparel products produced by us.

Order allocation

After the acquisition of the Three Factories, when our Group received purchase orders from our customers, we will allocate the production orders among the Three Factories first depending on the product requirement and specification. After the Three Factories are fully utilised, we will then allocate our production orders among the third party factories (i.e. Supplier A, C, D and K). Furthermore, our Group's production orders are allocated to the factories based on the following factors much more so than based on the outsourcing terms of CMP or FOB terms:

- (i) Sewing skill level of the factory;
- (ii) Throughput and production cost: the factory's speed in turning around a sizable order and the cost of production among the Three Factories and third party factories;
- (iii) Capacity availability: since our Group's production orders are not evenly distributed throughout the year, there will be variation in demand for each factory's capacity. What maybe most appropriate for factory A may have to be reassigned to factory B, if factory A's capacity is no longer available;
- (iv) Order size: different factories have different minimum order sizes (e.g. the largest minimum order size is Supplier A, which ideally needs to be 3,000 pieces and higher, whereas the Panyu Factory can handle small order quantities ranging from approximately 200 to 600 pieces);
- (v) Logistics: Outside of Europe, our Group's major supplier base of fabrics and trims is in the PRC. For small order quantities, the cost of logistics and the transit time of shipping materials for a few hundred pieces of apparel products may discourage production offshore; and
- (vi) Customer's requirement: Based on our Directors' past experience, the stronger and more high-end the apparel brand, the more specific is the customer's requirement or preference for which factory its apparel products are to be made.

Therefore, the allocation of each customer's order to a factory for production is dependent upon the above criteria and is very rarely judged on cost alone. Cost only matters when there are two alternatives equal in all aspects, except cost.

Our production facilities

Our Group's headquarters is located at 18-20/F, Win Plaza, San Po Kong, Kowloon, Hong Kong and it is where our core business activities including administration, client development, finance, sales and merchandising, technical, quality assurance and logistics are based.

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We currently operate three production facilities, namely the Panyu Factory, the Meegoda Factory and the Katunayake Factory which are located in Panyu, the Guangdong Province of the PRC, Meegoda and Katunayake in Sri Lanka, respectively.

The following table sets forth details of our three production facilities:

	Approximate GFA (sq. m.)	Functions	Number of employees as at the Latest Practicable Date
Panyu Factory (Note 1)	11,616	<ul style="list-style-type: none"> • manufacturing of high-priced apparel products • generally of smaller order quantity • serves as a showcase factory 	513
Meegoda Factory (Note 2)	1,322	<ul style="list-style-type: none"> • manufacturing of mostly bottoms and tops • generally of larger order quantity 	435
Katunayake Factory (Note 3)	7,060	<ul style="list-style-type: none"> • manufacturing of mostly outerwear, bottoms, tops and others • generally of larger order quantity 	1,042

Notes:

- (1) To the best of our Directors' knowledge and belief, the Panyu Factory has not served any third party customers other than our Group since its establishment.
- (2) To the best of our Directors' knowledge and belief, the Meegoda Factory has not served any third party customers other than our Group since 2016.
- (3) To the best of our Directors' knowledge and belief, the Katunayake Factory has not served any third party customers other than our Group since 2016.

As advised by our PRC Legal Advisor and Sri Lanka Legal Advisor, we have obtained all relevant and valid licenses, permits and certificates necessary for the production activities carried out at our production facilities. The BOI has by its letter dated 14th September 2017 confirmed to Chiefway Katunayake that the environment protection licence, which was held by Chiefway Lanka, is applicable to Chiefway Katunayake pursuant to Chiefway Katunayake's acquisition of Chiefway Lanka and given that Chiefway Katunayake is carrying on its operation (i.e., the manufacture of garments in the same premises previously used by Chiefway Lanka) also for the same business. As informed by the BOI by way of such letter, Chiefway Katunayake has now obtained the environment protection licence, after the expiry of the licence which was in the name of Chiefway Lanka. As advised by our Sri Lanka Legal Advisor, the BOI is the competent authority to issue the environment protection license in relation to licensed enterprises subject to terms and conditions and accordingly, the BOI has the power to vary such terms and conditions to the effect that a licence issued in the name of one entity can be applicable to another. We

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also closely monitor the quality control processes during the production of our products. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any suspension or termination of any license, permit or certificate necessary for the operation of our production facilities.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, all of our production facilities had not experienced any material disruption of production due to breakdown or failure of equipment, inadequate power supply, lack of maintenance, natural disasters, labour disputes or industrial accidents.

Production capacity and utilisation rate

Due to the diversity of our products, the factory-specific nature of certain production and the relatively small order size for woven fashion apparel, our Directors consider that it is difficult to estimate our annual production capacity for each of different product category produced by our Group.

For illustration purpose only, the following table sets forth the production capacity by the working hours of machinery in the Three factories for the year ended 31 March 2018:

	Panyu Factory	Meegoda Factory	Katunayake Factory
Average number of machine operators (<i>headcount</i>)	192	118	391
Number of working days (<i>days</i>)	238	292	271
Regular working hours (<i>hours</i>)	355,360	249,034	732,578
Actual working hours (<i>hours</i>) ¹	427,419	321,083	921,344

Note:

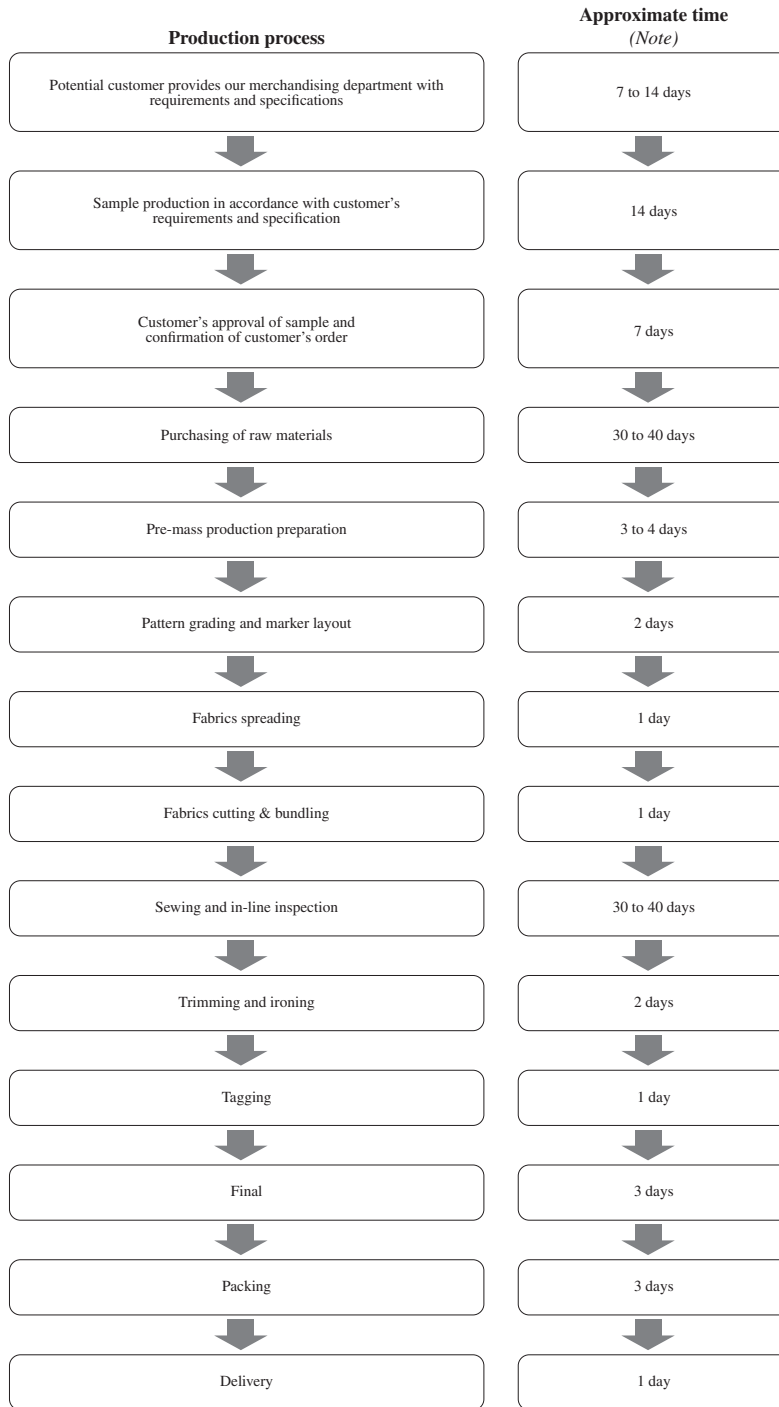
- (1) The actual working hours represented (i) the number of hours worked in regular hours, being 8.0 hours per day from Monday to Friday for Panyu Factory, 45 hours per six days from Monday to Saturday for both Meegoda Factory and Katunayake Factory; and (ii) the number of hours worked in addition to the regular hours.

Production process

We have standardised operating procedures to closely monitor all key stages of our manufacturing process in order to ensure consistency and quality standards are met during the production process. We would utilise computerised technology to optimise pattern grading, marker layout, cutting efficiency and fabric consumption. Our production process mainly comprises cutting, sewing, trimming, ironing and packing. The production time required for each product will vary depending on the design and complexity of the product. The general cycle time in production from receipt of raw materials to producing a finished product is within three months.

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The flowchart below illustrates the key steps for the material procurement and manufacturing of our products:



Note: The above processing time is only based on our Director's best estimate and past experience. The actual time required for each production step may differ depending on, among other things, the complexity of the products, the order quantity, raw materials used in the production, the capacity of our production facilities and third party factories and logistics of fabric and material supply used for production.

(i) Pre-mass production preparation

Before commencing mass production, our Group would carry out certain technical preparation such as (i) interpreting the techpack from our customers; (ii) obtaining material and apparel sample test reports; (iii) checking the production capacity of our production facilities and the third party factories; and (iv) securing customer's approval on production sample.

Our technical and manufacturing department would conduct a pre-production meeting and develop a order fact sheet for the factory that sets out all the specifications of the apparel products and will typically include information such as graphic images, design, labelling, packing specifications and, most importantly, any special instructions or pointers in the construction/sewing of the apparel products. Our production staff would then determine the manufacturing flow in accordance with the instructions and/or information contained in the techpack. Raw materials which are required to be used would have been sourced and purchased. After all the preparation work is complete, our production department may commence the production process.

(ii) Pattern and marker

Once the adjustments to the approval sample are finalised, the technical department in our factories may start grading the approved pattern into different sizes and lay out the marker according to the size ratios using specialised computer software. The computerised marker layout may also be adjusted manually by our employees who are highly skilled in maximising marker efficiency, thus minimising fabric consumption. This is the second time an order goes through this marker layout process; the first being an estimate of the fabric usage which is needed in the cost quotation stage.

(iii) Fabric spreading, cutting and bundling

In the cutting room, fabric is spread on a long cutting table to a length indicated by the computerised marker layout and the number of layers is determined by the order size, the type of fabric and the cutting equipment used. Cutting is traced along the lines for the patterns to make the different parts of apparel products, which are then bundled together according to size and color with each bundle indicating a particular size.

(iv) Sewing and in-line inspection

This is the most fundamental core operation in apparel manufacturing, where an apparel product is sewn together from its different parts. The skill level of the sewing machine operators takes some time to train and develop and often determines the workmanship and quality of the finished products. To ensure any defects occurring during sewing can be detected at the earliest stage, we have in-line and end-line inspection in each sewing line.

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(v) Trimming and ironing

After the sewing operation, the apparel products are sent to the finishing area for trimming loose threads and ironing.

(vi) Tagging

This is an operation to attach price tag, size tag and care label, etc. to the apparel products.

(vii) Final inspection and packing

Final inspection is a critical step where different parts of apparel products are inspected for visual quality and compliance with customer's specifications. In addition, the apparel products may also go through a metal detector to ensure no needles are inadvertently left in the apparel products. Thereafter, they are placed in polybags, sorted and folded into cartons of certain dimensions and box strength specified by the customers.

(viii) Shipment dispatch for export

Completed cartons are organised by purchase orders for each customer and are delivered, either in full container loads or truck loads to the freight forwarder nominated by our customers.

Machinery and equipment

Our production facilities are equipped with a variety of machinery and equipment to support the different stages of production. The primary machines and equipment which are owned and used for our production process include cutting table and cutting equipment, fusing machines, sewing machines, button-hole machines, pocket welting machines, irons and pressing equipment. Most of these machines were ultimately sourced from Japan and PRC, and have estimated useful lives ranging from approximately five to 10 years. As at the Latest Practicable Date, the age of our major production machinery and equipment ranges from approximately one to 13 years. The following table sets forth the average age and residual useful life by our major types of production machinery and equipment as at the Latest Practicable Date:

Major types of machineries and equipment	Average age (year)	Average residual useful life (year)
Sewing machines	6	5
Iron	5	4
Fabric inspection and winding machine	7	5
Others	5	4

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions or delays of our production due to machinery, equipment or other facility failure.

Repair and maintenance

We implement repair and maintenance procedures for most of our major machineries and equipments. As at the Latest Practicable Date, we have an internal maintenance team at each of our production facilities who are responsible for carrying out periodic inspections and routine cleaning and maintenance of our production equipment depending on the machine operating frequency and cycle. We maintain records of maintenance and repair of our machinery and equipment. The manufacturers of our equipment would also provide equipment maintenance services during their respective warranty period which is normally within one year. Our equipment will be replaced if it no longer functions normally.

Our Directors confirmed that there been no material disruption of our operations resulting from insufficient equipment maintenance or break-down during the Track Record Period and up to the Latest Practicable Date.

Outsourced production

i. Third party factories and related party factories

During the Track Record Period, we outsourced the production of our apparel products to third party factories and related party factories which are mainly located in the Philippines, Henan province and Guangdong province of the PRC and Sri Lanka. Since commencing our operation of the Three Factories, we have reduced the extent of our outsourcing arrangements. For the detailed operational data of the Three Factories and third party factories, please refer to the section headed “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – Cost of sales” in this prospectus.

Third party factories and related party factories may charge us on (i) FOB terms, which is recognised as cost of finished goods or (ii) CMP terms, which is recognised as subcontracting charges. If the purchase order is on FOB terms, the third party factories will source and procure the required raw materials from suppliers directly. If the purchase order is on CMP terms, our Group will procure and provide the required raw materials to the third party factories and related party factories, which are recognised as cost of raw materials. For the years ended 31 March 2016, 2017 and 2018, (i) our cost of raw materials amounted to approximately HK\$147.0 million, HK\$193.8 million and HK\$184.5 million respectively; (ii) our cost of finished goods amounted to approximately HK\$197.3 million, HK\$236.7 million and HK\$252.8 million respectively; and (iii) our subcontracting fee amounted to approximately HK\$110.0 million, HK\$116.1 million and HK\$22.0 million respectively. As we now operate our own production facilities, we expect that our subcontracting charges will continue to decrease in the future. Nonetheless, we will retain certain outsourcing arrangements in order to cope with the seasonality in our customers’ demand and to supplement our production capacity.

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Our Group plans to decrease our outsourcing on CMP terms relative to FOB terms. However, this was a descriptive statement of what is expected to happen in the future due to for instance, our product mix, rather than a statement of strategic intent since our production orders are allocated to the factories based on various factors much more so than based on the outsourcing terms.

For further details of our order allocations, please refer to the paragraph headed “3. Production management – Order allocation” in this section. Such changes in outsourcing arrangements may constitute a change to the components in our Group’s cost of sales, but there is no overall impact on our Group’s cost of sales.

The changes in our Group’s cost of sales is subject to the proportion of sales of different types of products instead of its outsourcing arrangements. The cost of raw materials or the cost of finished goods we paid are subject to the product requirements and specifications and will not be affected by the outsourcing terms.

When our Group in any given year allocates more production order from CMP third party factories to FOB third party factories, it may only result in a decrease in the cost of raw materials and an increase in the cost of finished goods and may not have an overall impact on our Group’s cost and margin.

This can be further demonstrated by our Group’s gross profit margin during the Track Record Period, which was approximately 18.3%, 16.1% and 18.4%, respectively. Our Group’s gross profit margin remains relatively stable during the Track Record Period. The changes in the gross profit margin are mostly affected by our Group’s sales mix of different types of products and its pricing power in the market. Therefore, our Directors are of the view that changes in sourcing terms between CMP and FOB will not have a systemic change in our Group’s cost and profit margin. For further details of our Group’s gross profit margin and cost of sales, please refer to the sections headed “Financial Information – Description of selected items in combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin” and “Financial information – Description of selected items in combined statements of profit or loss and other comprehensive income – cost of sales” in this prospectus.

In addition, the Three Factories will not be affected by the changes in our outsourcing arrangement. After the acquisition of the Three Factories, our Group intends to utilise our own factories’ capacity before any form of outsourcing from the third party factories. The changes in our Group’s outsourcing arrangement will be only limited to the third party factories and our arrangement with the Three Factories will remain unchanged. As such, the Three Factories will be hardly affected by any changes in our outsourcing arrangement.

For the years ended 31 March 2016, 2017 and 2018, we engaged six, nine and seven third party factories and related party factories, respectively. We maintain stable business relationships with the third party factories and related party factories and some of them have been working with us for over three years. Our Directors confirmed that we had not

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experienced any material difficulties in sourcing from third party factories and related party factories and we do not envisage such difficulties in the future.

ii. Selecting third party factories

When evaluating and selecting third party factories, we take into account various factors, such as the third party factories' experience in the apparel manufacturing industry, reputation, technical capabilities, financial strength, production resources, efficiency, quality control effectiveness, ability to meet production schedules with precision and their compliance with the legal, social and environmental standards set out by our customers. Hence, the third party factories must be approved by us and may also require our customers' approval on a case-by-case-basis. A factory selling on FOB terms or CMP terms is dependent upon its financial resources or its capability to purchase and maintain a certain level of fabric and trims inventory. As such, before we allocate our production order to third party factories, the outsourcing terms of the third party factories are known to us. For instance, during the Track Record Period, the Three Factories and Supplier K are on CMP terms whereas other third party factories are on FOB terms.

Before we allocate a customer's order to third party factories, we usually obtain price quotations from other third party factories for comparison purposes and will select the most suitable factory based on the quality of goods previously produced, their technical capabilities, their capacity to meet order delivery date and price. We have not entered into any long term subcontracting agreements with any of the third party factories as orders are generally placed on an order-by-order-basis. The terms and conditions upon which we engage third party factories are usually stipulated in the purchase orders we place with them and would generally include product specifications, order quantity, unit price of each product, payment terms and shipment dates. The purchase order would also state whether the third party factories would purchase the raw materials required by themselves on FOB terms or we would purchase the raw materials required on CMP terms. We generally settle the trade payables with them by telegraphic transfer, cheque or by letter of credit and have a credit term ranging from zero to 60 days.

iii. Monitoring and supervision of third party factories

We pay close attention to overseeing the quality control of our apparel products that are manufactured by the third party factories to ensure compliance with our customers' requirements and specifications. We have quality control staff stationed in the third party manufacturers' production facilities. Our quality control staff works closely with the third party factories and would monitor each stage of the production process to enforce adherence to our product quality requirements so that the finished apparel products are of good and consistent quality. Inspections of semi-finished apparel are also carried out at various stages of the production process with a final inspection carried out on the finished products before they are polybagged and packed in cartons for delivery to our customers' designated warehouses or designated shipping points.

We have adopted and implemented the following measures to monitor and ensure the third party factories ongoing compliance with our customers' social corporate responsibility standards:

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- (i) we schedule and our customers conduct an annual or interim audit six months after an existing third party factory has passed its most recent audit;
- (ii) third party factories take follow-up actions if the result of an annual and/or interim audit shows non-compliance in a particular matter to enforce their compliance with the relevant standards and requirements; and
- (iii) we schedule and our customers conduct a follow-up audit to check and ensure that all rectification measures have been implemented.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of our customers' social corporate responsibility standards by the third party factories and related party factories. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material delays when liaising with, or any dispute with, the third party factories and related party factories in relation to the delivery of finished goods, or any material adverse consequences from any defective apparel products produced by the third party factories and related party factories.

4. Logistics and distribution

During the Track Record Period, the raw materials used for the manufacturing of our apparel products are mainly sourced from suppliers based in Hong Kong, the PRC and Europe. For further details, please refer to the paragraph headed "Procurement of raw materials" in this section. The raw materials sourced are delivered by our suppliers to (i) the relevant third party factories' production facilities; or (ii) to our warehouse in Hong Kong and/or our own production facilities. The transportation costs incurred for such delivery are generally borne by our Group.

Finished products manufactured by us or the third party factories will be packed according to our customer's specifications and are delivered directly to our customers' appointed forwarders or designated warehouses. The cost of delivering finished products produced by us or the third party factories are borne by us, or are included in our purchase price of finished products from the third party factories. We have our own logistics department to arrange for the delivery of finished products from our production facilities and to manage the logistics process that relates to the storage and movement of our apparel products. As at the Latest Practicable Date, our logistics department comprised a total of approximately 49 employees who are stationed in Hong Kong, the PRC and Sri Lanka.

All of our apparel products are delivered to our customers on FOB terms as stipulated in our customers' purchase orders as well as in the production orders entered into between the third party factories and us. Under FOB terms, we do not bear any risks of any damage to the products after the products have been received by our customers' nominated freight forwarders. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material loss in the delivery of our products.

INVENTORY CONTROL

We do not maintain a high level of inventory as all apparel products are ordered based on customers' confirmed purchase orders and are directly delivered by us and/or by the third party factories to our customers. We generally place purchase orders for raw materials after our customers have confirmed their orders. We do not buy any materials on speculative demand and the amounts we buy are based on the calculation of our technical and merchandising departments. This allows us to have a better understanding of the amount of raw materials required for a particular order and as a result, the possibility of having either a shortage or an excess of raw materials is low. During the Track Record Period, our inventory consisted of raw materials and consumables used for the production of apparel products, work in progress and finished goods. For further details, please refer to the section "Financial information – Description on major components of the combined statements of financial position – Inventories" in this prospectus. For the years ended 31 March 2016, 2017 and 2018, our average inventory turnover days are 20.1 days, 22.9 days and 24.9 days respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of required raw materials or consumables.

QUALITY CONTROL

We believe that our commitment to deliver quality apparel products is one of the principal factors contributing to our success. As such, we have implemented a comprehensive quality control system in order to maintain our competitive edge. During the product manufacturing and finishing stage, our finished products will be inspected by our quality control department and our customers to ensure compliance of the relevant standards and requirements.

Our quality control department is responsible for ensuring that we are in compliance with all internal policies and quality standards imposed by our customers. As at the Latest Practicable Date, we had a total of approximately 186 employees in our quality control department who are stationed in Hong Kong, the PRC and Sri Lanka.

We have implemented the following quality control measures throughout the production process:

Quality control of incoming raw materials

We generally purchase raw materials from suppliers who have passed our quality and reliability assessment. We evaluate our suppliers periodically based on a range of factors, including the quality of raw materials and the ability to meet our delivery timeline. For further details, please refer to the paragraph headed "Our suppliers" in this section. To ensure that the raw materials used in the production process meet the standards and specifications as required by our customers, we will convey the relevant standards and requirements to our suppliers at time of order placement. We conduct inspections on incoming raw materials supplied by our suppliers on a sampling basis upon delivery. We inspect the raw materials and will return raw materials that fail to pass inspection to our suppliers as they will not be used for production.

Quality control of fabrics

Generally, our merchandising department will send the fabric requirements to our suppliers. Our suppliers will first produce or source a small swatch or yardage of fabric to determine whether the specific colour, weight, weave and other specific requirements can be met. We would then place the order with our suppliers upon our customers' confirmation. We would inspect the fabrics and grade the defects of fabrics by using the Four-Point System. Our internal manual clearly sets out (i) the required points for acceptance for shipment; (ii) the penalty points for different defects; (iii) the sampling quantity; and (iv) the point-count formula. We would accept the fabrics only if the inspected fabrics reaches the acceptable limit of points under the Four-Point System.

Quality control during the production process

To ensure that our products comply with the required specification and quality standards, we would carry out various inspections and sampling at each stage during the production process. Various quality tests, final inspection and needle detection are carried out on our finished products. These various inspections and checks conducted throughout our production process help ensure that our products adhere to our customers' specification, comply with our quality standards and are free of visible defects.

The following table sets out the quality control and assurance procedures adopted by our Group during the production process:

Area of responsibility	Description of work
Inspection of sewn parts	Quality inspection is performed to ensure fabrics and trims are pieced together smoothly and correctly.
Inspection of hand stitched parts	Inspection of hand stitched parts for completeness and neatness. Excessive strands of fabrics remaining on the apparel products will be removed.
Inspection of semi-finished products	All semi-finished products are examined by staff to check for (i) completeness of all production processes; (ii) whether the semi-finished apparels are manufactured in accordance with the specifications of our customers; and (iii) whether they are free from irreversible defects.
Inspection of washed apparel products	Inspection of washed and tumble dried apparel products to ensure that they are dirt and oil free.

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<u>Area of responsibility</u>	<u>Description of work</u>
Measurement inspection	After laundering and ironing, the sizes of apparel products may be affected or altered slightly due to shrinkage. Our quality control staff measure the dimensions of the apparel product to ensure that it complies with the specified measurements, in particular, the collar, sleeves, cuffs, shoulders, chest, back and other parts of the clothing as detailed in the techpack.
Final inspection	Finished products are examined carefully and are inspected on a sampling basis before packaging and warehousing for export/shipment.

Quality control of finished products

Our finished products will be transferred to a separate area for sample testing and inspection to ensure that our apparel products meet our customers' specifications and requirements before delivery. Products that are unsatisfactory will be re-worked. Normally, the quality control of finished products is based on the AQL standard and inspections are carried out with reference to standardised AQL tables used in the apparel manufacturing industry. The AQL standard refers to the maximum number of defects that could be considered acceptable in a random sampling of a certain lot size of finished apparel products. If the finished products satisfy the specifications and applicable quality standards, they will be released for shipment. Any finished products not in conformity with the requisite standards are then re-made or disposed of.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, (i) there had been no material claims on us due to product defects; (ii) we had no material dispute with our customers and suppliers; and (iii) there was no incident of failure of our quality control systems which has a material and adverse impact on our business operations.

SOCIAL RESPONSIBILITY COMPLIANCE REQUIREMENTS

We are generally required by our customers to demonstrate a commitment to social responsibility and to comply with their ethical and social responsibility requirements. Such requirements generally include standards for health and safety, hours of work, compensation, benefits and wages, and prohibition against the use of child labor. It is our customers' corporate policy to conduct their business with suppliers in compliance with such standards. Our customers may cease to do business with us if we fail to comply with such requirements.

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While each customer's requirements may differ, set out below are certain general compliance requirements stated in the code of conduct for our production facilities:

- (i) comply with all applicable laws, rules and regulations including but not limited to those relating to child labour, discrimination, harassment and sexual abuse, wage and benefits, hours of work, health and safety, freedom of association, customs and security, environmental standards and factory security;
- (ii) ensure that the raw materials used in the production are sourced and processed in compliance with our customers' requirements;
- (iii) comply with the terms and conditions set out by the respective customers, including but not limited to prohibition of our Group from selling, transferring or otherwise disposing of any apparel products in the market for such customer; and
- (iv) strictly maintain the confidentiality of any and all confidential and propriety information and/or data of the customer including but not limited to the customer's trade secrets, know-how, inventions, processes, product, product ideas, sketches, specifications and designs.

In accordance with the respective codes of conduct of our major customers, our major customers 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. After the on-site inspections, our customers would issue written performance reports which list out the social compliance of our Group. In general, any repeated uncured breach of the codes of conduct by us shall entitle our customers to terminate or cancel any or all purchase orders with us. Among customers who have business relationships with us, most of them have conducted periodic audits on our production facilities and the third party factories. During these audits, our customers are provided with information regarding our business, operation, health and safety issues, employees related information and other information (including payroll) which they request.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group and the third party factories had passed all the periodic audits conducted by our customers. We had not received any material complaints, claims or legal actions from our customers in relation to the compliance with their social responsibility requirements by our Group and the third party factories. To ensure ongoing compliance with these social responsibility requirements, we will closely monitor and assist our production facilities and the third party factories to understand and comply with our customers' ethical and social compliance standards. Our Directors do not foresee any adverse consequences that may arise from any of such issues on the compliance requirements.

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PRODUCT RETURN, WARRANTY AND LIABILITY

We do not have any formal product return or warranty policy for our apparel products. If issues relating to product return arise, we may enter into negotiations with our customers to resolve the issue on a case by case basis. If we receive requests for product return of apparel products that are produced by third party factories, we will conduct an investigation to ascertain the cause of the defect and improve our procedures and implement corrective measures or we may seek compensation from third party factories if they are proven to be at fault. Otherwise, we would usually bear the costs arising from the defective product complaint.

Under our arrangements with certain customers, our Group agreed to indemnify these customers against losses or liabilities arising from product liability claims and therefore, we had assumed the risk of product liability for apparel products which we procure and/or manufacture for these customers. For further details of the risk relating to the potential product liability which we may be exposed, please refer to the section headed “Risk factors – Product liability and product recall may adversely affect our Group’s results or operations” in this prospectus.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no actual or threatened material product liability claims against us, and we have not experienced any product recalls or returns nor any major customer complaints about our products. During the Track Record Period, we did not incur any warranty expenses.

SALES AND MARKETING

Our merchandising department is principally responsible for cultivating and maintaining an effective communication with our existing and potential customers. In particular, they are responsible for procuring new customers, maintaining relationships with existing customers, handling customer inquiries and following up on orders and shipments. As at the Latest Practicable Date, our merchandising department comprised a total of approximately 81 employees who are stationed in Hong Kong, the PRC, Sri Lanka. We maintain sales teams who are specifically responsible for handling individual customers’ inquiries. Our merchandising department contacts our existing customers regularly and gathers feedbacks in relation to our products.

During the Track Record Period, we had not invested in any marketing campaigns nor had been involved in any type of marketing activities for attracting new customers. Instead, we focus on maintaining the relationship with our existing customers by regular visits to understand our customers’ requirements, development trends and directions. Orders from new customers are mainly secured through referrals from customers whom we have previously worked with since our establishment. We have built a network of customers and have maintained a long-term relationship with some of them. For further details, please refer to the paragraph headed “Our customers” in this section.

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OUR CUSTOMERS

Our customers

The majority of our customers are international apparel brands that are headquartered in the U.S. and certain European countries such as the U.K. and Spain with their products sold around the world. As at the Latest Practicable Date, our Group had maintained business relationships with our top five customers for periods ranging from approximately two to 21 years. As at 31 March 2016, 2017 and 2018 and the Latest Practicable Date, there were six, seven, seven and seven customers respectively.

Our Group are unable to obtain consent to disclose the name of Customer A and Customer G in this Prospectus. If we disclose the identities of Customer A and Customer G without their prior approvals, it may result in proceedings or actions against us by customers. In addition, such events may lead to negative publicity and cause customers to lose their trust and confidence in us.

Our markets

During the Track Record Period, the majority of our Group's apparel products were sold to the U.S. market, which accounted for approximately 98.2%, 94.7% and 92.6% of our total sales respectively. Our Group's apparel products were also mainly sold in Hong Kong, the U.K., Spain and Canada. The following table sets forth a breakdown of our Group's revenue by geographical region (according to the locations where our Group's products were sold) during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
U.S.	546,321	98.2	635,603	94.7	626,780	92.6
Others <i>(Note)</i>	9,792	1.8	35,352	5.3	50,076	7.4
Total revenue	<u>556,113</u>	<u>100.0</u>	<u>670,955</u>	<u>100.0</u>	<u>676,856</u>	<u>100.0</u>

Note: Others mainly include Hong Kong, the U.K., Spain and Canada

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Top five customers

The following table sets out the profile of our Group's top five customers during the Track Record Period:

For the year ended 31 March 2016:

Customer	Location	Major type(s) of products purchased from our Group	Credit terms (days)	Settlement method	Business relationship since	Total amount of revenue (HK\$'000)	Percentage of our Group's total revenue (%) (Note)
Customer A	U.S.	Apparel products	60	Receivables finance	1999	531,124	95.51
The J. Peterman Company LLC	U.S.	Apparel products	60	Telegraphic transfer	1997	12,921	2.32
Customer B	U.S.	Apparel products	45	Telegraphic transfer	2014	9,054	1.63
Customer F	Spain	Apparel products	90	Telegraphic transfer	2015	2,731	0.49
Customer D	U.S.	Apparel products	N/A	Telegraphic transfer	2012	156	0.03
Top five customers						555,986	99.98
Others						127	0.02
Total						556,113	100.00

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For the year ended 31 March 2017:

Customer	Location	Major type(s) of products purchased from our Group	Credit terms (days)	Settlement method	Business relationship since	Total amount of revenue (HK\$'000)	Percentage of our Group's total revenue (%) (Note)
Customer A	U.S.	Apparel products	60	Receivables finance	1999	465,459	69.37
Customer G	U.S.	Apparel products	60	Telegraphic transfer	2015	186,749	27.84
The J. Peterman Company LLC	U.S.	Apparel products	60	Telegraphic transfer	1997	16,574	2.47
Customer B	U.S.	Apparel products	45	Receivables finance	2014	1,123	0.17
Customer H	U.K.	Apparel products	45	Telegraphic transfer	2016	834	0.12
Top five customers						670,739	99.97
Others						216	0.03
Total						670,955	100.00

For the year ended 31 March 2018:

Customer	Location	Major type(s) of products purchased from our Group	Credit terms (days)	Settlement method	Business relationship since	Total amount of revenue (HK\$'000)	Percentage of our Group's total revenue (%) (Note)
Customer A	U.S.	Apparel products	60	Receivables finance	1999	339,548	50.17
Customer G	U.S.	Apparel products	60	Telegraphic transfer	2015	285,342	42.16
Customer H	U.K.	Apparel products	45	Telegraphic transfer	2016	29,107	4.30
The J. Peterman Company LLC	U.S.	Apparel products	60	Telegraphic transfer	1997	17,954	2.65
Customer B	U.S.	Apparel products	45	Receivables finance	2014	4,278	0.63
Top five customers						676,229	99.91
Others						627	0.09
Total						676,856	100.00

Note: For the avoidance of doubt, the approximate percentages for the year ended 31 March 2016 and 2017 were rounded up to two decimal places.

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Our top five customers accounted for approximately 100.0%, 100.0% and 100.0% of our total revenue for the years ended 31 March 2016, 2017 and 2018 respectively, while our largest customer, Customer A, accounted for approximately 95.5%, 69.4% and 50.2% of our total revenue for the same years. As at the Latest Practicable Date, saved as disclosed in this prospectus, none of our Directors, their close associates or any shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our customers during the Track Record Period. None of our customers was our suppliers during the Track Record Period.

Our Group does not enter into long-term agreements with our customers and our Directors believe that this is in line with the common practice in the apparel industry. For further details, please refer to the section headed “Risk factors – Risks relating to our business – We have not entered into any long-term agreements with our customers, which expose us to the risk of uncertainty and potential volatility in respect of our revenue” in this prospectus.

Normally, our customers will place a purchase order with us. The general terms and specifications of a typical purchase order between our customers and us are summarised as follows:

- (i) product description, order quantity and unit price of each product;
- (ii) credit terms: we generally grant a credit term of 60 days; and
- (iii) delivery details: the usual delivery term is FOB, whereby we are responsible for the transportation of the goods to the customers’ appointed forwarders at port of shipment and loading costs whilst our customers are responsible for the transportation from the arrival port to the final destination and loading costs.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our customers and did not receive material claims or complaints from our customers.

Related customer

C.F.L. Enterprise

C.F.L. Enterprise was incorporated in Hong Kong on 29 September 1978 and is owned equally by our non-executive Director, Mr. William Choi and a third party. It is principally engaged in the provision of apparel supply chain management solutions for its customers. We had approximately four years of business relationship with C.F.L. Enterprise.

During the Track Record Period, we sold apparel products to C.F.L. Enterprise. For the years ended 31 March 2016, 2017 and 2018, the revenue derived from our sales to C.F.L. Enterprise amounted to approximately HK\$0.1 million, HK\$0.06 million and HK\$0.04 million respectively, representing approximately 0.02%, 0.01% and 0.01% of our total revenue for the

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corresponding years. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, (i) the terms of our transactions with C.F.L. Enterprise were similar to those with our other customers who were Independent Third Parties; (ii) the terms of the transactions were determined after arm's length negotiation and on normal commercial terms; and (iii) the transactions were conducted in the ordinary and usual course of business. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Relationship with our major customers

Our Group's largest customer – Customer A

Background of Customer A

Our largest customer, Customer A, is an international apparel brand that is headquartered in the U.S. and operates both physical and online stores internationally. They design, market and sell their products and offer complete assortments of women's, men's and children's apparel and accessories. Our Group has established more than 19 years of business relationship with Customer A.

Contractual arrangement with Customer A

In line with the usual arrangement with our customers and the common practice of the apparel manufacturing industry, our Group do not enter into any long term agreements with Customer A. Instead, Customer A places purchase orders with us from time to time. Our Group manufactures apparel products based on the designs, specification, samples and/or technical descriptions approved by Customer A. Our management team attends regular meetings with Customer A and visits its headquarters in the U.S. about twice a year to discuss about product development and formulates production plans which complements Customer A's strategy for product launches in the following season and its anticipated sales. Our production plan generally involves material procurement, and capacity planning based on estimated sales for Customer A in the following season.

Based on Customer A's projected orders, Customer A may request our Group to procure fabrics of unique blends and/or colors directly from nominated suppliers, at an agreed price that is pre-determined between Customer A and such suppliers. Under the existing arrangement, our Group bears all the raw material costs for Customer A when we are required to purchase raw materials directly from their designated suppliers.

A typical purchase order between our Group and Customer A will contain the following terms and specifications:

- i. Product specifications, order quantity and unit price of the product;

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- ii. Payment terms: payment by Customer A to our Group is generally settled by a credit facility offered by Customer A;
- iii. Credit terms: payment by Customer A to our Group is generally subject to a credit term of 60 days; and
- iv. Delivery requirements – Customer A would specify the expected date of delivery for the purchase order, which normally falls between four to five months from the date of the purchase order. The delivery terms required by Customer A is usually FOB.

Our Group is required to comply with Customer A's social responsibility compliance protocol in its supplier sourcing programme which sets out guiding principles related to ethical standards such as prohibition against the use of child labour and forced labour, health and safety, hours of work, wages and benefits, harassment, sexual abuse, and discrimination. For further details, please refer to the paragraph headed "Social responsibility compliance requirements" in this section. Customer A may conduct random inspections and annual audits of our Group's manufacturing facilities and require our Group to grant permission for Customer A's representative to have access to our facilities and any required information. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group had passed all the annual audits conducted by Customer A and had not received any complaints of material non-compliance with its protocol from Customer A. Our Directors also confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had not incurred any material liability or assumed any material expenses arising from complaints, claims or legal actions brought by Customer A in relation to these protocols or products manufactured and sold to Customer A. To ensure ongoing compliance with these requirements, our executive Director, Mr. YM Siu, is in charge of our manufacturing operations, as well as the administration of relevant internal control measures of our Group, including the provision of staff training, conducting regular inspections and reviews.

In addition, our Directors believe that our Group has become a valued business partner with Customer A and we intend to maintain our business relationship with Customer A in the future.

Reliance on Customer A

During the Track Record Period, the revenue derived from our sales to Customer A amounted to approximately HK\$531.1 million, HK\$465.5 million and HK\$339.5 million respectively, representing approximately 95.5%, 69.4% and 50.2% of our Group's total revenue for the corresponding period. During the Track Record Period, the gross profit derived from Customer A amounted to approximately HK\$83.0 million, HK\$79.3 million and HK\$67.8 million, respectively. The decrease in revenue was a result of (i) our Group's effort in diversifying our customer portfolio to reduce reliance on Customer A; and (ii) less sales to Customer A due to the reallocation of our limited internal resources and production capacity to Customer G. For further details of our customer concentration risk, please refer to the section headed "Risk factors – Our Group relies heavily on Customer A and Customer G and any decrease in our sales to Customer A and Customer G would materially affect our business, financial condition and future operations" in this prospectus.

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It has always been our Group's strategy to conduct business with customers who have an established brand name, good reputation and creditworthiness. Our Directors consider that this would enhance our overall business performance. Through this process, we have developed a stable relationship with Customer A.

As advised by Ipsos, it is not uncommon for a manufacturer in the apparel industry to have a relatively high level of customer concentration, and it is an industry practice for apparel manufacturing companies to proceed with purchase orders which typically made on an order-by-order basis. Although we had a relatively high reliance on Customer A during the Track Record Period, our Directors are of the view that we will be able to control the risk of reliance, and our reliance on Customer A would not adversely affect our business operation, our financial performance and would not impact on our Group's suitability for the Listing based on the following reasons:

(i) Valued business partner and mutual benefits

Our Group has maintained a business relationship with Customer A for more than 18 years. This has enabled us to accumulate an in-depth understanding of the quality requirements and product specification of Customer A, which gives our Group a competitive edge to secure orders from Customer A on an ongoing basis. As evidenced by the continuous purchase orders placed by Customer A, our Directors believe that our Group and Customer A have cultivated mutual understanding, trust and ease of communication and operation over the years. Our Directors are of the view that Customer A is a valued business partner and believe we have established a strategic relationship with mutual benefits in terms of product and service quality.

(ii) Decreasing level of reliance on Customer A

The percentage of revenue attributable to Customer A had dropped from approximately 95.5% for the year ended 31 March 2016 to approximately 69.4% for the year ended 31 March 2017 and further decreased to approximately 50.2% for the year ended 31 March 2018. In view of having secured flight crew uniforms business from two U.S. airlines in collaboration with customer G and the increasing purchases from Customer H, our Directors expect that our reliance on Customer A may lessen in the future, taking into consideration our Group's strategies in (i) diversifying our customer base; (ii) the expansion of our manufacturing business; and (iii) our sales and merchandising effort in developing new customers.

(iii) Diversification of customers base and ability to source new customers

Our Directors consider that we have made considerable effort to reduce our reliance on Customer A by pursuing business opportunities with new customers. To diversify our customer base, as at the Latest Practicable Date, we successfully confirmed orders of approximately HK\$174.7 million and HK\$31.3 million from Customer G and Customer H, respectively. Our Directors expect that the aforesaid confirmed orders of Customer G of approximately HK\$54.4 million will be delivered by 31 March 2019 and the remaining will be delivered by 30 September 2019 based on the customer's expectation and our Directors' estimation on production capacity, and Customer H's orders will be delivered by 31 December 2018 respectively. Furthermore, in accordance with Customer G's instruction, our Group has already placed purchase order for the fabrics for the uniform's flight crew orders. During the Track Record Period and up to the Latest Practicable Date, the cancellation rate of the confirmed orders that could not translate into our actual sales by our customers was around 1.0%. Therefore, our Directors believe that the abovementioned confirmed orders are highly achievable. For the year ended 31 March 2018, our revenue amounted to approximately HK\$676.9 million, of which approximately HK\$337.3 million was derived from customers other than Customer A, representing approximately 49.8% of our total revenue. Such increasing proportion of orders placed by our new customers demonstrates our successful efforts in developing our relationship with new customers in order to reduce our reliance on Customer A.

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Leveraging on our Group's track record and experience in the apparel market, we will continue to expand our customer base by strengthening our reputation as well as to establish preliminary contact with our potential customers. In view of our Group's progress on reducing our reliance on Customer A, our Directors do not foresee any difficulties for our Group to continue expanding our customer base and diversifying our revenue source in the future.

(iv) Transferable skills

Our Group's production facilities are not specifically designed to cater solely for Customer A or our other top five customers. In the unlikely event that our Group fails to secure new orders from Customer A, or any of our major customers, our Group shall be able to service other existing customers and new customers by allocating our production capacity expeditiously. Our Directors are of the view that, provided that our Group has sufficient production capacity, our existing production facilities, employee's skills and production skills can be readily transferred to serve other potential new customers and satisfy their needs.

PRICING STRATEGY

Our Group adopts a cost-plus pricing strategy for our operations. Our apparel products are priced separately on a case-by-case basis based on (i) the complexity of product designs; (ii) the order volume; (iii) the estimated production costs; (iv) the cost of raw materials; (v) the price of finished apparel products manufactured by the third party factories; and (vi) the estimated mark-up margins we charge. As the cost of raw materials is fixed with the supplier at the time when we offer our pricing to our customers, any fluctuation or changes to raw material cost do not directly affect us.

SEASONALITY

During the Track Record Period, our Group's results of operations were affected by seasonal fluctuations of our apparel products. For the years ended 31 March 2016 and 2017, seasonality flows directly from the annual surge in consumer spending surrounding the holidays of Thanksgiving and Christmas. As such, we generally experienced a higher level of sales from July to September since a large portion of the apparel products we produced (e.g. coats and jackets) were fall/winter clothing that always entail higher selling prices. For the years ended 31 March 2016 and 2017, our revenue from July to September amounted to approximately HK\$231.1 million, and HK\$283.1 million, respectively, which accounted for approximately 41.6% and 42.2% of our total revenue during the corresponding period.

For the year ended 31 March 2018, the seasonal fluctuation of our apparel products levelled off primarily due to the changes in our product offering as a result of our effort to diversify our base of customers. The proportion of our sales from July to September was slightly lowered due to the reduced fall sales from Customer A. Instead, the proportion of our sales from October to March increased because of the sales of flight crew uniforms to Customer G. In light of the changes in our product offering and diversification of our base of customers, our Directors expect that the traditional seasonality effect will be reduced since there may not be a fixed pattern when airlines prefer to launch or replenish their uniforms. The seasonality may vary

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from year to year as the current year's seasonality does not necessarily indicate the seasonality in future years. Hence, prospective investors should be aware of these seasonal fluctuations when making any comparison of our operating results.

OUR SUPPLIERS

Our suppliers mainly consist of (i) third party factories which manufacture apparel products for our customers and (ii) suppliers of raw materials and consumables we require for the production of our apparel products. Our Group has maintained stable and close relationship with our top five suppliers for a period ranging from approximately one to four years.

(i) Third party factories

During most of the Track Record Period, our Group's apparel products were produced by third party factories and related party factories. As at the Latest Practicable Date, our third party factories are mainly located in the PRC and the Philippines. For further details of our arrangement with the third party factories, please refer the paragraph headed "Outsourced production" in this section.

During the Track Record Period, our subcontracting charges amounted to approximately HK\$110.0 million, HK\$116.1 million and HK\$22.0 million, representing 24.3%, 20.6% and 4.0% of our total cost of sales, respectively. Our cost of finished products amounted to approximately HK\$197.3 million, HK\$236.7 million and HK\$252.8 million, representing 43.4%, 42.1% and 45.8% of our total cost of sales, respectively. For further details of the sensitivity analysis on the impact of hypothetical changes in the cost of finished goods and subcontracting charges on our profit before income tax expenses please refer to the section headed "Financial Information – Key factors affecting our financial condition and result of operations – our ability to control cost of sales and operating expenses – Sensitivity analysis" in this prospectus.

(ii) Raw material suppliers

The major raw materials used for our production consist mainly of fabrics, which include cotton, wool, cotton blends and wood blends, etc. During the Track Record Period, our key raw material suppliers were located in the PRC and certain European countries. Apart from fabrics, other raw materials purchased include lining, buttons, zippers, packaging materials, brand labels, hanging tags and other accessories. For further details of our arrangement with our raw material suppliers, please refer to the paragraph headed "Procurement of raw materials" in this section.

During the Track Record Period, the cost of raw materials amounted to approximately HK\$147.0 million, HK\$193.8 million and HK\$184.5 million, representing 32.3%, 34.4% and 33.4% of our total cost of sales, respectively. For further details of the sensitivity analysis on the impact of hypothetical changes in the cost of raw materials on our profit before income tax expenses, please refer to the section headed "Financial information – Key factors affecting our financial condition and result of operations – our ability to control cost of sales and operating expenses – Sensitivity analysis" in this prospectus.

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Top five suppliers

The following information table sets out the profile of our Group's top five suppliers during the Track Record Period:

For the year ended 31 March 2016:

Supplier	Location	Major type(s) of products sold to our Group	Credit terms (days)	Business relationship since	Total amount of purchase (HK\$'000)	Percentage of our Group's total purchase (%)
Supplier A	Philippines	Apparel products	45	2013	143,221	15.5
Zhi Wei	PRC	Apparel products	–	2013	71,852	7.8
Chiefway Group Limited	Hong Kong	Apparel products	–	2015	30,065	3.3
Supplier G	Italy	Fabrics	–	2013	23,986	2.6
Supplier H	Hong Kong	Fabrics	30	2013	14,329	1.6
Top five suppliers					283,453	30.8
Others					639,695	69.2
Total					923,148	100.0

For the year ended 31 March 2017:

Supplier	Location	Major type(s) of products sold to our Group	Credit terms (days)	Business relationship since	Total amount of purchase (HK\$'000)	Percentage of our Group's total purchase (%)
Supplier A	Philippines	Apparel products	60	2013	182,730	22.3
Zhi Wei	PRC	Apparel products	–	2013	57,406	7.0
Chiefway Group Limited	Hong Kong	Apparel products	–	2015	41,965	5.1
Supplier E	PRC	Apparel products	–	2014	24,424	3.0
Supplier I	PRC	Apparel products	30	2016	23,244	2.8
Top five suppliers					329,769	40.2
Others					490,008	59.8
Total					819,777	100.0

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For the year ended 31 March 2018:

Supplier	Location	Major type(s) of products sold to our Group	Credit terms (days)	Business relationship since	Total amount of purchase (HK\$'000)	Percentage of our Group's total purchase (%)
Supplier A	Philippines	Apparel products	60	2013	185,396	33.8
Supplier E	PRC	Apparel products	–	2014	52,647	9.6
Supplier J	Morocco	Apparel products	–	2016	34,978	6.4
Supplier K	PRC	Apparel products	–	2014	22,467	4.1
Supplier L	Hong Kong	Apparel products	–	2013	14,474	2.6
Top five suppliers					309,962	56.5
Others					239,022	43.5
Total					<u>548,984</u>	<u>100.0</u>

Our top five suppliers accounted for approximately 30.8%, 40.2% and 56.5% of our total purchase for the years ended 31 March 2016, 2017 and 2018 respectively, while our largest supplier, Supplier A, accounted for approximately 15.5%, 22.3% and 33.8% of our total purchase for the corresponding period. As at the Latest Practicable Date, save as disclosed in this prospectus, none of our Directors, their close associates or any shareholders who, to the best knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our suppliers during the Track Record Period. None of our suppliers was our customers during the Track Record Period.

Our Group does not enter into any long-term agreements with our suppliers and our Directors believe that this is in line with the common practice in the apparel industry. For further details, please refer to the section headed “Risk factors – Risk relating to our business – We have not entered into any long-term agreements with third party factories and any disruption in the relationships with the third-party factories or their manufacturing operations could adversely affect our business” in this prospectus. Normally, we will place purchase orders with our suppliers. The following sets out the general terms of a typical purchase transaction:

- (i) product description: (i) for the purchase of raw materials, a brief description of the types of raw materials, quantity and colour; and (ii) for the purchase of finished goods, a brief description of the types of products, style, main materials required, colour and size;
- (ii) order quantity and unit price of each product;
- (iii) credit terms: we generally have a credit term of 0 to 90 days to our suppliers;

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- (iv) delivery details: (i) for the purchase of raw materials, we usually require our raw material suppliers to deliver the raw materials to the port closest to our third party factories' production facilities or to our Group's warehouses; and (ii) for the purchase of finished goods, we usually require our third party factories to deliver the finished goods directly to our customers' appointed forwarder.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any abnormal material shortage in the supply of the required raw materials from our suppliers. We also did not experience any material delays by the third party factories in the delivery of their finished products which caused our Group to suffer any losses or claims.

Related suppliers

Zhi Wei

Zhi Wei was incorporated in the PRC on 5 February 2007. Prior to our acquisition of Zhi Wei, it was owned equally by our non-executive Director, Mr. William Choi and a related party, Mr. KS Wong, the brother of Ms. Alice Wong. For further details of the acquisition, please refer to the section headed "History, development and Reorganisation – Major acquisitions" in this prospectus.

During the Track Record Period, we outsourced a certain portion of the production process of our apparel products to Zhi Wei. Zhi Wei charges us on CMP terms, which is recognised as subcontracting charges. For the years ended 31 March 2016 and 2017, our subcontracting charges to Zhi Wei amounted to approximately HK\$71.9 million and HK\$57.4 million respectively, representing approximately 15.8% and 10.2% of our total cost of sales, respectively. The subcontracting charges paid to Zhi Wei is determined based on (i) our experience with our customers' similar or same style manufactured in the past; and (ii) our estimate of the market price for the level of quality that our customers require. We would also negotiate the charges with Zhi Wei based on our cost quotation provided to our customers. For further details of the sales merchandising process with our customers, please refer to the paragraph headed "1. Product origination and development – Sales merchandising process" in this section. Our Directors confirmed that (i) the terms of our transactions with Zhi Wei were similar to our transactions with other suppliers who are Independent Third Parties; (ii) the terms of the transactions were determined after arm's length negotiation and on normal commercial terms; and (iii) the transactions were conducted in the ordinary and usual course of business, prior to the acquisition.

Zhi Wei was legally acquired on 19 January 2017 and it became one of our production arms. As such, our Group no longer pays any charges to Zhi Wei.

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Chiefway Group Limited

Chiefway Group Limited was incorporated in Hong Kong on 31 March 2014 and was wholly owned by our executive Director, Mr. YM Siu. It was principally engaged in factory sourcing for apparel production. We had approximately two years of business relationship with Chiefway Group Limited.

When Chiefway Group Limited receives orders from our Group, it will allocate purchase orders to the Meegoda Factory and the Katunayake Factory for production depending on the product category. Chiefway Group Limited would then charge us on CMP terms, which is recognised as a subcontracting charge. For the years ended 31 March 2016 and 2017, our subcontracting charges to Chiefway Group Limited amounted to approximately HK\$30.1 million and HK\$42.0 million, respectively, representing approximately 6.6% and 7.5% of our total cost of sales, respectively. The subcontracting charges paid to Chiefway Group Limited is determined based on (i) our experience with our customers' similar or same style of apparel products manufactured in the past; and (ii) our estimate of the market price for the level of quality that our customers require. We would also negotiate the charges with Chiefway Group Limited based on our cost quotation provided to our customers. For further details of the sales merchandising process with our customers, please refer to the paragraph headed "1. Product origination and development – Sales merchandising process" in this section. Our Directors confirmed that, (i) the terms of the transactions with Chiefway Group Limited were similar to our transactions with other suppliers who are Independent Third Parties; (ii) the terms of the transactions were determined after arm's length negotiation and on normal commercial terms; and (iii) the transactions were conducted in the ordinary and usual course of business. After we acquired the Meegoda Factory and the Katunayake Factory, we channelled most of our purchase orders to the Meegoda Factory and the Katunayake Factory directly. Since then, we terminated our arrangement with Chiefway Group Limited.

Moreover, our executive Director, Mr. YM Siu has confirmed that, (i) Chiefway Group Limited had ceased its operations as of 1 April 2017; and (ii) does not have any competing business with our Group. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

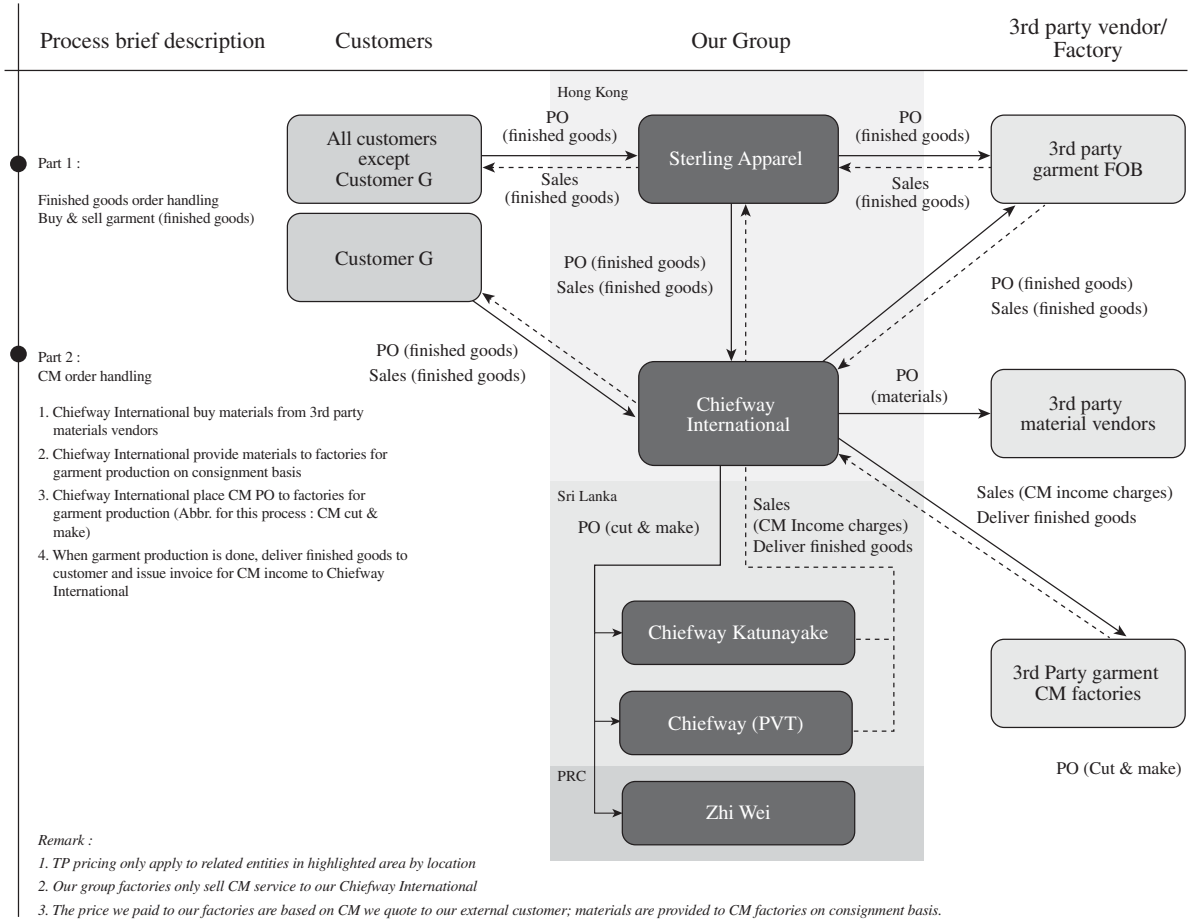
TRANSFER PRICING ARRANGEMENT

During the Track Record Period, our Group conducted our operations primarily through Sterling Apparel and Chiefway International. Sterling Apparel and Chiefway International are our Group's principal operating entities which deal with overseas customers and control the pricing decisions for such sales while Zhi Wei, Chiefway (PVT) and Chiefway Katunayake are our production arms. Upon receipt of the sales orders from our customers, Sterling Apparel and Chiefway International would first allocate the purchase order to Zhi Wei, Chiefway (PVT) and Chiefway Katunayake to manufacture our apparel products. Finished goods manufactured by Zhi Wei, Chiefway (PVT) and Chiefway Katunayake are then sold to Sterling Apparel and Chiefway International for onwards sales to our customers. Most of our finished goods are exported on FOB basis and will be delivered to customer appointed freight forwarder in Hong Kong or the

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nearest ports designated by our customers. These intra-group transactions are treated as sales from Zhi Wei, Chiefway (PVT) and Chiefway Katunayake to Sterling Apparel and Chiefway International and the selling prices are market-based pricing relative to local market. Our Directors confirmed that the relevant intra-group transactions were conducted on normal commercial terms.

The following graph sets forth the flow of intra-group transaction during the Track Record Period:



Sterling Apparel is set up to buy garment FOB from Chiefway International or third party vendors. Sterling Apparel does not buy any materials (fabrics and trims). When it buys FOB from Chiefway International, it is based on the BOM cost of the garment, on which it adds a margin to arrive at the sell price to its customers. The BOM cost consists of cost of materials plus cut & make (“CM”) charges plus other ancillary costs such as logistics and finance. These same CM charges are what Chiefway International pays to the Three Factories for the garment.

The purpose of our Group’s transfer pricing arrangement is to ensure that Zhi Wei, Chiefway (PVT) and Chiefway Katunayake will be able to derive sufficient cash flow from their sales to Sterling Apparel and Chiefway International with a reasonable mark-up on their production costs. Prior to our operation of the Three Factories, we had not been engaged in any

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transfer pricing activities. Upon the operation of our production facilities, we have engaged a tax advisor (“**Tax Advisor**”) to carry out an analysis in respect of the arrangements between (i) Sterling Apparel and the relevant subsidiaries of our Group; and (ii) Chiefway International and the relevant subsidiaries of our Group for the year ended 31 March 2017.

Our Tax Advisor has performed a review on our transfer pricing arrangement between (i) Sterling Apparel and Zhi Wei; and (ii) Chiefway International and Zhi Wei for the year ended 31 March 2017. Our Tax Advisor calculated the reasonable range based on the information established by comparable companies. Our Group adopted the reasonable range calculated by our Tax Advisor and will closely observe whether the transfer pricing arrangement satisfy the arm’s length principle.

For transactions prior to both Meegoda Factory and Katunayake Factory becoming our Group’s subsidiaries, an agreed upon procedures was done by our Reporting Accountants to assess whether the transactions of Sterling Apparel and two factories during the years ended 31 March 2015, 2016 and 2017 were at arm’s length commercial terms similar to the transactions with other suppliers who were independent third parties to our Group. The management of our Group believes, and our Reporting Accountants confirmed that the CM prices paid to the factories by Sterling Apparel were consistent with and no less than the local market prices paid for similar products.

Having taken into consideration the relevant laws and regulations relating to taxation as set out in the section headed “Regulatory overview” in this prospectus, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group is not aware of any non-compliance with the relevant tax laws and regulations in Hong Kong and the relevant jurisdictions in all material respects. Furthermore, given that our Group has duly reported in our return to the tax authorities that there were related party transactions between our subsidiaries in Hong Kong and those in the PRC and Sri Lanka, our Group is not aware of any non-compliance with tax reporting requirements on transfer pricing in all material respects. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any unresolved income tax issues or disputes with the relevant tax authorities.

We have adopted internal control measures to ensure ongoing compliance with the relevant tax laws and regulation in Hong Kong, the PRC and Sri Lanka, including (i) consultation with our Tax Advisor and review if the transfer pricing arrangements have followed the arm’s length principle; (ii) formulating and implementing an internal control policy on tax-related matters; and (iii) designating our compliance department to collect updates in relevant tax laws and regulations regularly.

MARKET AND COMPETITION

According to the Ipsos Report, the apparel manufacturing industry is competitive and is populated with a large number of players of various scale of operations. Our Group competes on a global basis with a range of apparel manufacturing companies, which may possess different competitive strengths. Moreover, the entry barriers of the apparel manufacturing

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industry in Asian countries are relatively high due to (i) high initial capital commitment; and (ii) difficulty in recruiting skilled labour.

As our Group positions itself as a woven fashion manufacturer mainly targeting international apparel brands, we believe we do not have to face competition from manufacturers which mainly focus on the large volume mass market. Our Group has also established a long-term relationship with some of the international apparel brands and the quality standard adopted by such international apparel brands is commonly higher than other apparel brands catering to the mass market. As such, it is relatively difficult for other mass market manufacturers to compete with our Group for customer of such positioning in the apparel market.

For further details of the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry overview” in this prospectus.

FOREIGN EXCHANGE FLUCTUATIONS

During the Track Record Period, our sales to customers were primarily denominated in USD whereas our cost of sales was denominated in HKD, RMB, LKR and USD. We are therefore exposed to exchange rate risks. During the Track Record Period, our Group had experienced exchange gains of approximately HK\$0.1 million, HK\$0.3 million and HK\$1.6 million respectively. For further details of our exchange rate risk, please refer to the section headed “Risk factors – We are exposed to foreign exchange risks” in this prospectus.

Our Group’s revenue is mainly denominated in USD. As the HKD is pegged to the USD, we do not expect any significant movement in the USD/HKD exchange rate. To minimise foreign exchange risks, we would closely monitor the movements in the foreign exchange rate of USD, RMB and LKR. Although we currently do not undertake any hedging activities, we will monitor the forex market from time to time to consider if there is such a need in the future.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we held four registered domain names. For further details of such registration, please refer to the paragraph headed “Statutory and general information – B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this prospectus.

As at the Latest Practicable Date, there were no claims against our Group for infringement of intellectual property rights by any third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. In addition, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement.

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LICENSES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, our Group had obtained all material requisite licenses, approvals and permits required for its operations in Hong Kong, the PRC and Sri Lanka respectively.

AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we had received numerous awards and certifications in recognition of our achievements, including but not limited to the following major awards and certifications:

Year	Award	Awarding Institution/Authority
2014	Harmonious Labour Relations of Panyu District (番禺區和諧勞動關係企業)	Bureau of Human Resources and Social Security of Panyu, Guangzhou (廣州市番禺區人力資源和社會保障局) Federation of Trade Unions of Panyu, Guangzhou (廣州市番禺區總工會) Federation of Industry and Commerce of Panyu, Guangzhou (廣州市番禺區工商業聯合會) Manufacturers Association of Panyu, Guangzhou
2013, 2015 & 2016	Modern Unit of Safety Production (安全生產先進單位)	Committee of the Communist Party of Shilou Town (中共石樓鎮委員會) People's Government of Shilou Town (石樓鎮人民政府)
2011 & 2013	Quality Assurance and Credible Enterprise (廣州市質量誠信承諾單位)	Guangzhou Association For Quality (廣州市質量協會)
2010	Unit Member (單位會員)	Guangzhou Association For Quality (廣州市質量協會)

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EMPLOYEES

As at the Latest Practicable Date, we employed 2,082 full-time employees in Hong Kong, the PRC and Sri Lanka. The following tables set forth a breakdown of our employees by geographical locations and departments as at the Latest Practicable Date:

Hong Kong

Department	Number of employees
Finance and Administration	31
Compliance	1
Logistics	8
Merchandising	32
Technical	9
Quality control	6
Trims procurement	5
Total	92

Panyu, Guangdong, the PRC

Department	Number of employees
Finance and Administration	55
Logistics	13
Manufacturing	264
Merchandising	42
Technical	118
Quality control	21
Total	513

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Meegoda, Sri Lanka

Department	Number of employees
Finance and Administration	7
Compliance	1
Logistics	9
Manufacturing	316
Merchandising	1
Technical	10
Quality control	66
Other	25
Total	435

Katunayake, Sri Lanka

Department	Number of employees
Finance and Administration	22
Compliance	2
Logistics	19
Manufacturing	815
Merchandising	6
Technical	65
Quality control	93
Other	20
Total	1,042

Recruitment

We generally recruit our staff through internet recruitment, headhunters and internal referrals. We aim to hire and retain appropriate and suitable personnel to work for our Group. Our Group assesses the available human resources on a continuous basis to determine whether additional personnel are required to cope with our business development.

We have entered into employment contracts with our employees which set out, among other things, the employee's remuneration, employee benefits, confidentiality obligations and grounds for termination of the employment. The employment contracts with our employees are in accordance with the applicable employment laws in Hong Kong, the PRC and Sri Lanka depending on the location of work of the employee. These employment contracts either have no fixed term, or if there is a fixed term, the term is generally up to three years, after which we will evaluate renewals based on performance appraisals.

Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not set up any trade union for our employees; (ii) we had not experienced any strike, any significant problems with our employees or other material labour disputes which had materially disrupted our operation during such period; and (iii) we had not experienced any difficulties in the recruitment of experienced or skilled staff that would have a material impact on our business, financial condition or result of our operations.

Remuneration policy and training

The remuneration package offered to our employees generally includes salary, bonuses and other cash allowances or subsidies. Our Group determines our employees' remuneration based on each employee's qualifications, relevant experience, position and seniority. Our Group conducts annual review on salary increments, bonuses and promotions based on the performance of each employee.

We have made all statutory contributions for our employees in Hong Kong and Sri Lanka as required by the applicable labour and social welfare laws and regulations in Hong Kong and Sri Lanka and had complied with such laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, we had made contributions for our employees in the PRC to social security funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund, except for instances disclosed in the paragraph headed "Legal proceedings and compliance" in this section. Our total employees' cost, including directors' remuneration, wages, salaries and other benefits, amounted to approximately HK\$42.5 million, HK\$62.5 million and HK\$135.1 million for the years ended 31 March 2016, 2017 and 2018 respectively.

We provide on-the-job training to our new employees and conduct yearly reviews of their performance. We believe that these initiatives have contributed to stronger work incentive among our employees.

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INSURANCE

Our Group maintains insurance coverage for our apparel products that are stored at our premises, including raw materials, work-in-process and finished goods. We also maintain marine cargo insurance to cover shipments of raw materials and finished products.

We maintain insurance coverage against material loss or damage in our offices, employee occupational health and safety, travel and medical insurance for our employees in Hong Kong. Our Group also maintains insurance coverage against risk of loss or damage to our assets in the PRC, including but not limited to office and factory building, and machinery and equipment installed thereat.

In addition, we have obtained product liability insurance to cover our liability that arises from apparel products in connection with our business. As at the Latest Practicable Date, our Group was not aware of any actual or threatened product liability claim against our Group. For further details of the risks relating to product liability claim, please refer to the section headed “Risk factors – Product liability and product recall may adversely affect our Group’s results or operations” in this prospectus. We have also maintained unlisted key management insurance policies for insurance coverage of our executive Director, Ms. Alice Wong.

Our Directors believe that the existing insurance coverage is generally adequate to insure our Group against risks relating to our operations. We are of the view that our insurance coverage is in line with the industry practice.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not made, or been the subject of, any material insurance claim. There was no fire, explosion, spill, corrosion, pollution or other unexpected or dangerous incidents causing personal injury or death, property damage, environmental damage or business interruption that had a material impact on us.

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PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned three properties in Hong Kong and Sri Lanka. The following table sets forth a summary of certain information regarding our owned properties:

No.	Location	Approximate GFA (sq.m.)	Usage
1.	Workshop No. 12 on 21st Floor, Laurels Industrial Centre, 32 Tai Yau Street, San Po Kong, Kowloon, Hong Kong	122.3	Workshop
2.	Workshop No. 13 on 21st Floor, Laurels Industrial Centre, 32 Tai Yau Street, San Po Kong, Kowloon, Hong Kong	149.2	Workshop
3.	No. 549 Artigala Road, Meegoda, Sri Lanka	1322.2	Factory

Leased properties

As at the Latest Practicable Date, we leased five properties in Hong Kong, the PRC and Sri Lanka. The following table sets forth a summary of certain information regarding our leased properties:

No.	Location	Approximate GFA (sq.m.)	Key terms of the tenancy	Usage
1.	18th Floor and Car Parking Space Nos. P310–P311 on 3rd Floor, Win Plaza, 9 Sheung Hei Street, Sai Po Kong, Kowloon, Hong Kong (Note 1)	603 (Note 1)	Monthly rental of HK\$125,000 with tenancy period from 8 February 2018 to 31 January 2021 (both days inclusive)	Office
2.	19th Floor and Car Parking Space Nos. P312–P313 on 3rd Floor, Win Plaza, 9 Sheung Hei Street, Sai Po Kong, Kowloon, Hong Kong (Note 1)	603 (Note 1)	Monthly rental of HK\$125,000 with tenancy period from 8 February 2018 to 31 January 2021 (both days inclusive)	Office

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No.	Location	Approximate GFA (<i>sq.m.</i>)	Key terms of the tenancy	Usage
3.	20th Floor and Car Parking Space Nos. P314–P315 on 3rd Floor, Win Plaza, 9 Sheung Hei Street, Sai Po Kong, Kowloon, Hong Kong (<i>Note 1</i>)	603 (<i>Note 1</i>)	Monthly rental of HK\$125,000 with tenancy period from 8 February 2018 to 31 January 2021 (both days inclusive)	Office
4.	Chaotian Industrial Zone, Songsan Road, Shilou Town, Panyu, Guangdong Province, the PRC	11,616	Monthly rental of RMB264,174 with annual rental growth of 5% from 1 December 2017 with tenancy period up to 30 November 2021	Factory
5.	Ring Road 3, Phase 2, EPZ, Katunayake, Sri Lanka	7,060	Annual rental of USD23,300 with tenancy period up to 31 March 2067	Factory

Note:

- The property has a GFA of approximately 603 sq.m., excluding the area of the car parking spaces.

As at 31 March 2018, the properties owned and leased by our Group did not have a carrying amount of 15% or more of our Group's total assets. Thus, we are exempted from complying with the requirements of Rule 5.01A and 5.01B of the Listing Rules and 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, with respect to the inclusion of a property valuation report in this prospectus.

ENVIRONMENTAL PROTECTION

Our Group is subject to national and local environmental laws and regulation in the PRC and Sri Lanka which govern a broad range of environmental matters including air pollution, noise emissions and water and wastage discharge. For further details of such regulations and laws, please refer to the section headed "Regulatory overview – Laws and regulations in the PRC – F. Environmental protection" and "Regulatory overview – Laws and regulations in Sri Lanka – 3. National Environmental Act No. 47 of 1980" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalty or fines imposed by the relevant environmental protection

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authorities. As advised by our PRC Legal Advisor and Sri Lanka Legal Advisor, to the best of their knowledge, the Panyu Factory, the Meegoda Factory and the Katunayake Factory were in all material respects in compliance with the applicable laws and regulations on environmental protection in the PRC and Sri Lanka as at the Latest Practicable Date.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are subject to various production safety laws and regulations in the PRC and Sri Lanka. For further details of such laws and regulations, please refer to the section headed “Regulatory overview – Laws and regulations in the Sri Lanka – 6. Labor laws and regulations” in this prospectus. We place great emphasis on occupational health and safety. We have in place safety guidelines and operating manuals which set out the safety measures for the production process. We also provide our employees with training programmes on work safety to ensure that all of our employees are aware of our safety procedures and policies, which include guidelines for safety management, emergency situations and proper operation and usage of equipment and machinery.

Our Group has adopted and implemented the following occupational health and safety procedures and measures: (i) providing guidelines and process procedures and work instructions to employees on occupational safety; (ii) carrying routine inspection on equipment and facilities, such as elevators and heavy lifting machines, and obtain safety inspection certificates from the municipal regulatory bodies; and (iii) providing employees with occupational safety education and training to enhance their awareness of safety issues on a regular basis.

As advised by our PRC Legal Advisor and Sri Lanka Legal Advisor, to the best of their knowledge, the Panyu Factory, the Meegoda Factory and the Katunayake Factory were in all material respects in compliance with all relevant laws and regulations in respect of production safety in the PRC and Sri Lanka as at the Latest Practicable Date.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) there had been no material claims against our Group for personal injuries or property damages; (ii) we have not had any work safety related incidents or complaints which materially and adversely affected our business operation; and (iii) we had not committed any material non-compliance with the applicable laws and regulations in respect of occupational health and work safety in Hong Kong, the PRC and Sri Lanka.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition.

Our Directors confirm that save as disclosed below under this paragraph, we had not experienced any material or systemic non-compliance of laws or regulations, whether in Hong Kong, the PRC or the Sri Lanka, which taken as a whole would be likely to have a material and adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisor and Sri Lanka Legal Advisor, to the best of their knowledge and belief, save as disclosed in this prospectus, Zhi Wei, Chiefway (PVT), Chiefway Lanka and Chiefway Katunayake had not been involved in any material non-compliance incidents, claims, litigations or legal proceedings since their respective establishments and up to the Latest Practicable Date. Further, we have complied in all material respects with the applicable laws and regulations in Hong Kong, the PRC and Sri Lanka during the Track Record Period and up to the Latest Practicable Date. The following table sets forth our material or systemic non-compliance incidents under the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the remedial actions we have taken in response to this incident:

No.	Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
1	<p>Social Insurance fund</p> <p>During the Track Record Period, Zhi Wei did not make adequate contribution to social insurance funds for some of its employees in accordance with the relevant PRC laws and regulations. The aggregate outstanding amount incurred during the Track Record Period was approximately RMB1.7 million.</p>	<p>This non-compliance was due to the inadvertent errors of relevant staff as they were not familiar with the relevant laws and regulations.</p>	<p>Under the Social Insurance Law of the PRC (中華人民共和國社會保險法) the Interim Regulation on the Collection of Social Insurance Premium (社會保險費徵繳暫行條例) and other relevant PRC regulations, for unsubscribed social insurance contributions prior to 1 July 2011 (being the effective date of the Social Insurance Law of the PRC) the relevant governmental authority may require a company, who fails to pay social insurance premiums as required by the relevant PRC law and regulation, to pay off the shortfall of social insurance premiums within a given period and, if the company fails to do so, may impose on the company an additional late payment fee at a daily rate of 0.2% of the outstanding amount calculated from the date such contributions become overdue. For the unsubscribed social insurance contribution after 1 July 2011, the relevant governmental authority may require the company to make the unsubscribed contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution calculated from the date such contributions become overdue within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the unsubscribed contribution.</p>	<p>We confirm that Zhi Wei has made adequate contributions to social insurance funds for all its employees since July 2017. Our PRC Legal Advisor is of the view that, Zhi Wei may be required to pay the outstanding social insurance premiums and late payment fee within the given period. If Zhi Wei adequately pay the outstanding social insurance premiums and late payment fee by the stipulated deadline after notifying and requiring by the relevant social securities authority, the likelihood that Zhi Wei are subject to administrative fines by relevant social securities authority is remote.</p> <p>As at the Latest Practicable Date, Zhi Wei had not received such notification and requirement from the relevant governmental authority.</p> <p>Since we became aware of the said non-compliance incident, we have taken all necessary measures to ensure adequate payments of social insurance fund have been made by adopting internal control procedures to prevent possible deviation in calculation of our social insurance contribution, including (i) human resources manager shall be responsible for seeking legal advice from our legal advisers on an annual basis to ensure accuracy of the calculation; (ii) an experienced human resources officer has been assigned to handle matters in relation to social insurance fund; (iii) the calculation of social insurance payable shall be reviewed by the human resources manager on a monthly basis; (iv) manager of general affairs office will review the compliance of social insurance fund contribution on an annual basis; and (v) we will retain PRC Legal Advisor to advise on and to provide training in relation to the social insurance fund to human resource department annually so as to keep abreast of the relevant laws and regulations.</p>

Our Controlling Shareholders have also agreed to indemnify us for all claims, costs, expenses and losses incurred by us for the abovementioned non-compliance incident. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

No.	Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
2	<p>Housing Provident Fund</p> <p>According to the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公积金管理条例》) and other relevant regulations, we are required to provide our employees with housing funds and housing benefits. During the Track Record Period, Zhi Wei did not make adequate contribution to housing provident funds for our employees. The aggregate outstanding amount incurred during the Track Record Period was approximately RMB0.7 million.</p> <p>In June 2017, the Guangzhou Municipal Management Centre of Housing Provident Fund (广州市住房公积金管理中心) issued three Decisions that ordered Zhi Wei to make up the outstanding contribution to housing provident funds for its three employees totalling RMB14,989 within a time limit.</p> <p>In September 2017, the Guangzhou Municipal Management Centre of Housing Provident Fund issued two Notice of Verification (《核查通知书》) which ordered Zhi Wei to verify whether it has made adequate contributions to housing provident funds for its two employees before March 2013 or July 2015 respectively. Zhi Wei has later paid for the outstanding housing provident funds for this two employees totalling RMB24,352.</p> <p>In February 2018, the Guangzhou Municipal Management Centre of Housing Provident Fund issued two Notice of Verification (《核查通知书》) which ordered Zhi Wei to verify whether it has made adequate contributions to housing provident funds for its two employees before March 2013. Zhi Wei has later paid for the outstanding housing provident funds for this two employees totalling RMB17,599.</p> <p>In April 2018, the Guangzhou Municipal Management Centre of Housing Provident Fund issued a Notice of Verification (《核查通知书》) which ordered Zhi Wei to verify whether it has made adequate contributions to housing provident funds for one employee during May 2008 to March 2013. Zhi Wei has later paid for the outstanding housing provident funds for this employee totalling RMB6,993.</p> <p>In July 2018, the Guangzhou Municipal Management Centre of Housing Provident Fund issued two Notice of Verification (《核查通知书》) which ordered Zhi Wei to verify whether it has made adequate contributions to housing provident funds for two employees during July 2007 to March 2013. Zhi Wei has later paid for the outstanding housing provident funds for these two employees totalling RMB8,932.</p>	<p>This non-compliance was due to the inadvertent errors of the relevant staff as they are not familiar with the relevant laws and regulations</p>	<p>According to the relevant PRC laws and regulations, the relevant governmental authority may require us to make the unsubscribed contribution within the given period, and, if we fail to do so within the given period, it may apply from a PRC court for an order to enforce the payment.</p>	<p>Remedial actions</p> <p>We confirm that Zhi Wei has made adequate contributions to housing provident funds for all its employees since July 2017. Our PRC Legal Advisor is of the view that, Zhi Wei may be required to pay the outstanding housing provident funds by a stipulated deadline in the future. If Zhi Wei is ordered by the relevant competent governmental authority to pay the outstanding housing provident funds within the given period and fails to do so, the relevant competent governmental authority may apply to the court to enforce the outstanding payment compulsorily.</p> <p>As at the Latest Practicable Date, except for the three orders in which Zhi Wei is required to make up the outstanding housing provident funds contribution for its three employees, and the seven notices requiring Zhi Wei to verify the outstanding amount of housing provident funds for its seven employees, Zhi Wei had not received such notification and requirement from the relevant governmental authority.</p> <p>Since we became aware of the said non-compliance incident, we have taken all necessary measures to ensure that adequate payments of housing provident funds have been made by adopting internal control procedures to prevent the recurrence of such non-compliance, including (i) human resources manager shall be responsible for seeking legal advice from our legal advisers on an annual basis to ensure accuracy of the calculation of the housing provident fund payable by us; (ii) an experienced human resources officer has been assigned to handle matters in relation to housing provident fund; (iii) the calculation of housing provident fund payable shall be reviewed by the human resources manager on a monthly basis; (iv) manager of general affairs office will review the compliance of housing provident fund contribution on an annual basis; and (v) we will retain PRC Legal Advisor to advise on and to provide training in relation to the housing provident funds to housing provident funds department annually so as to keep abreast of the relevant laws and regulations.</p> <p>Our Controlling Shareholders have also agreed to indemnify us for all claims, costs, expenses and losses incurred by us for the above mentioned non-compliance incident. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.</p>

No.	Non-compliance incidents	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial actions
3	<p>Register for lease</p> <p>According to the Measures for Administration of Lease of Commercial Properties (《商品房屋租賃管理辦法》), a lease agreement in relation to properties on State-owned land shall be registered with the relevant authority within 30 days after the lease agreement is signed. During the Track Record Period, one lease agreement entered into by our PRC subsidiary, Zhi Wei, had not been registered with the local authorities. The leased property under this lease agreement is used as workshop building.</p>	<p>As registration of lease agreements requires the submission of certain documents of landlords to relevant authorities, the lease registration is subject to cooperation of landlords which is beyond our control.</p>	<p>According to the Measures for Administration of Lease of Commercial Properties (《商品房屋租賃管理辦法》), the relevant government authorities may require us to register with the competent authority within a period of time and, if we fail to register, impose a fine of up to RMB10,000 for one unregistered lease agreement.</p>	<p>As at the Latest Practicable Date, we had not received any rectification order or been subject to any fine in respect of non-registration of lease agreements. We confirm that we will continue to negotiate with the landlord to complete the registration process.</p> <p>Our Directors consider that the non-compliance has no material adverse operational and financial impact on our Group.</p>

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, against, among other things, any claims, actions and liabilities which may arise as a result of any non-compliances of our Group on or before the Listing Date, including but not limited to (i) the failure to make adequate contributions to social insurance funds and housing provident funds for its employees; and (ii) non-registration of the leases. For further details of the Deed of Indemnity, please refer to the section headed “Appendix IV – Statutory and general information – E. Other information – 1. Tax and other indemnities” in this prospectus.

Risk management, corporate governance and internal control

It is the responsibility of our Board to oversee and ensure that our Group maintains sound and effective internal control and risk management systems to safeguard our Shareholders’ investment and our Group’s assets at all times. Certain risks relating to our operation, details of which are set out in the section headed “Risk Factors – Risks relating to our business” in this prospectus, have been identified by our management. Risk management policies codifying in risk assessment process, risk impact scale and risk management process have accordingly been adopted by us to identify, evaluate and manage risks arising from our operations.

We have engaged an external internal control advisory firm to carry out a review of our internal control in preparation for the Listing, which covers (i) entity-level controls and business process controls; and (ii) a report to our Company on factual findings and recommendations for improvements of internal controls over the above-mentioned processes and procedures. In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we have adopted or intend to adopt the following measures:

- (i) we have engaged Ample Capital Limited as our compliance advisor upon the Listing to advise us on compliance of the relevant rules under the Listing Rules;
- (ii) we will provide our Directors and senior management with training on the legal and regulatory requirements applicable to the business operations of our Group from time to time;
- (iii) we have designated our Board, to oversee and monitor rectifications of our past non-compliance with our internal control policies. Specifically, our Board is in charge of overseeing the implementation of the following measures to rectify our non-compliance and to prevent similar incident from happening:
 - regarding non-compliance on our social insurance and housing provident fund, (i) whenever necessary, we will seek legal advice from our PRC Legal Advisor in relation to social insurance and housing provident funds; and (ii) provide training in relation to the social insurance and housing provident funds to our human resources department annually;

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- (iv) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgement on the Board's decision making process and provide independent advise to our Board and Shareholders; and
- (v) our audit committee has been established to review the internal control systems and procedures for compliance with the requirements of the Listing Rules.

View of our Directors and the Sole Sponsor

Based on the advice of our PRC Legal Advisor in relation to the above non-compliance incidents, and in view of the indemnity given by our Controlling Shareholders, our Directors are of the view that the potential liability or penalty in connection with the above non-compliance incidents will not have any material adverse impact on the operation or finance of our Group.

Having assessed the effect of the enhanced internal control measures set out in the paragraph headed "Risk management, corporate governance and internal control" above that covers our major business aspects, our Directors are of the view, and the Sponsor concurs, that we have put in place adequate internal control procedures and policies in all material respects to prevent future occurrence of the non-compliances.

Our Directors are of the view, and the Sole Sponsor concurs, that our historical compliance incident do not affect the suitability of our Directors to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules or suitability of the Company for listing under Rule 8.04 of the Listing Rules after considering the following:

- (i) the non-compliance incidents were unintentional, did not involve dishonesty or fraudulent act on the part of our Directors, and did not raise any questions as to the integrity of our Directors;
- (ii) remedial actions were carried out, and where applicable, will be carried out as soon as practicable to rectify the non-compliance incidents;
- (iii) the nature of the non-compliance incidents and the possible consequences as advised by our PRC Legal Advisor; and
- (iv) our internal control system already covers our major business aspects and it is effectively supervised by the management of our Group.

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CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), 37.5% of the issued share capital of our Company will be owned by Moonlight, which is wholly owned by Mr. CW Siu; and 34.0% of the issued share capital of our Company will be owned by Rainbow Galaxy, which is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor. For further details regarding the shareholding interest of our Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

In view of the above, Moonlight, Rainbow Galaxy, Mr. CW Siu and Mr. William Choi are our Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently from our Controlling Shareholders and their respective associates after the Listing on the basis of the following information:

Financial independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer of new Shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of our executive Directors and senior management personnel of our Company. Our Board has seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. None of our executive Directors or other members of our senior management is a Controlling Shareholder, save that Ms. Alice Wong and Mr. YM Siu, our executive Directors, are the associates of Mr. CW Siu, one of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a Director 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;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum; and
- (c) all our independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward, are sufficiently experienced and capable of monitoring the operations of our Group independently of our Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure which is made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

As at the Latest Practicable Date, save for Chiefway Group Limited, our top five suppliers and customers are independent from our Controlling Shareholders. Since 1 April 2017, our Group and Chiefway Group Limited have not had any business dealings. For further details, please refer to the section headed “Business” in this prospectus. For details of non-exempt continuing connected transactions, please refer to the section headed “Connected transaction” in this prospectus. We have our independent access to our suppliers and our customers for the provision of services and materials, and we have an independent management team to handle our day-to-day operations. We do not rely on our Controlling Shareholders or their associates.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Our Group is principally engaged in the manufacture of woven apparel products, whereas one of our Controlling Shareholders, Mr. William Choi, has an interest in two companies, namely, C.F.L. Enterprise and CFL Global, (collectively, the “**CFL Business**”), which is an

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apparel supply chain management service provider and a trading company, respectively. C.F.L. Enterprise is owned as to 50% by Mr. William Choi. CFL Global is ultimately owned by a family trust of which Mr. William Choi is the settlor.

Save as disclosed above, none of our executive Directors or their respective close associates is interested in any business that competes or is likely to compete, either directly or indirectly with the business of our Group. To minimise the potential competition in the future, our Controlling Shareholders will enter into the Deeds of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

Information on the CFL Business

C.F.L. Enterprise was incorporated in 1978 by one of our Controlling Shareholders, Mr. William Choi and an independent third party. C.F.L. Enterprise is owned as to 50% by Mr. William Choi. It principally engages in the provision of apparel supply chain management services for its customers as sourcing arm for the CFL Business and does not engage in the manufacture of apparel products. For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017, our Group sold apparel products to C.F.L. Enterprise which amounted to approximately HK\$0.1 million, HK\$0.06 million and HK\$0.04 million, respectively, representing approximately 0.02%, 0.01% and 0.01% of our total revenue for the corresponding period. Our Group has ceased our business relationship with C.F.L. Enterprise in 2017 with its last shipment in August 2017.

CFL Global was incorporated in 2003 and is ultimately owned by a family trust of which Mr. William Choi is the settlor. It is a trading company buying from C.F.L. Enterprise, being the importer of the merchandise and then selling to its customers in the U.S. market. CFL Global offers a wide range of woven apparel products, accessories and knitwear products in the U.S. market. CFL Global does not engage in the manufacture of apparel products. As at the Latest Practicable Date, Mr. William Choi confirmed that both C.F.L. Enterprise and CFL Global have no intention to change their business model.

CFL Business is headquartered in Hong Kong and has offices in Shenzhen, New York, California, Wisconsin, Indonesia & Vietnam. Currently, it employs in excess of 300 employees worldwide with an annual revenue of over US\$150 million.

Relationship between C.F.L. Enterprise and CFL Global

C.F.L. Enterprise provides supply chain management services and sources suppliers of apparel products for CFL Business and does not engage in the sales or marketing of apparel products. CFL Global imports and sells to its customers a wide range of woven apparel products and knitwear products in the U.S. market.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Business delineations between our Group and the CFL Business

Based on the following grounds, our Directors are of the view that there are clear delineations between the principal businesses of our Group and the CFL Business, and, accordingly, our Directors are of the view that most of our products are not substitutable with that of the products provided by the CFL Business and the competition between the CFL Business and our Group is immaterial and hence will not adversely affect our Group's financial performance:

- (i) market positioning: our Group is positioned as an apparel manufacturer to our customers during the Track Record Period. Although the Three Factories were only related and not directly owned by our Group prior to their acquisitions by us, our market positioning is supported by the Panyu Factory as it serves as our Group's showcase factory and product development and technical support center since its establishment. It is further supported by the Meegoda Factory and the Katunayake Factory as they have always helped cement our positioning as an apparel manufacturer to our customers. Contrarily, the CFL Business is a pure supply chain management service provider which eschews factory ownership and material procurements. The CFL Business focuses on identifying suitable supply sources that suit its customers' needs rather than the actual making or manufacture of the apparel products on its own;

- (ii) product differentiation: our Group offers a wide range of woven apparel products, mainly fashion wear and can be divided into four categories, namely, outerwear (i.e. fashion coats, blazers and jackets), bottoms (i.e. both fashion and casual pants, shorts and skirts), tops (i.e. fashion shirts, blouses and tank tops) and others (i.e. fashion dresses, suits, gowns, jumpsuits and vests). Our woven apparel products are mainly produced from cotton, wool and wool blend. On the other hand, the CFL Business offers a wide range of woven apparel and knitwear products, including accessories and functional wear and can be divided into four categories, namely, accessories (i.e. wallets, bags, belts and socks), knitwear (i.e. sweaters, cut and sewn knits), casual wear and sportswear (i.e. denim jeans, casual and sports jackets, casual and sports pants and shorts), and functional wear (i.e. outdoor clothing, functional outerwear and swimwear). The apparel products for the CFL Business are produced and supplied from various sources, mostly in Asia. Most of woven apparel products provided by the CFL Business are functional wear, denim products and sportswear that cater mostly to the mass market with large order volume, while our Group's woven apparel products are mainly fashion wear that cater mostly to the high-end apparel market with small order volume. The apparel products the CFL Business provided and the type of customer they pursue differentiated them from us.

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The following tables set forth an illustration of the overlapping between our Group's and CFL Business's product categories:

Fabric		Product type	Our Group	CFL Business	
Woven	Denim	Denim jeans	x	v	
		Outdoor clothing, functional outerwear and swimwear	x	v	
	Non-denim	Coats, blazers	v	x	
		Casual jackets	x	v	
		Fashion jackets ¹	v	x	
		Casual pants and shorts	v	v	
		Fashion pants and shorts	v	x	
		Skirts	v	x	
		Shirts, blouse and tank tops	v	x	
		Dresses, suits, gowns, jumpsuits and vests	v	x	
		Outdoor clothing, functional outerwear and swimwear	x	v	
		Knit	Sweaters, cut and sewn knits	x	v
		Other materials	Wallets, bags, belts and socks	x	v

Notes:

- The jackets offered by our Group were fashion jackets, instead of casual and sports jackets, which were typically more tailored woven fashion jackets requiring higher level of workmanship from cutting to sewing (such as lining up and matching the grid patterns in the fabric from the pocket to the body to the sleeves), more embellishment (such as piping, fray edges that requiring manual labour for each piece to create the effect), and more stylish.
- Except for knitwear, all the apparel products in above charts are woven apparel.

Our Directors are of the view that the overlapped product competition between the CFL Business and our Group, all of which are woven casual bottoms (non-denim and non-functional wear) (the “**Overlapped Business**”), is immaterial. For the years ended 31 March 2016, 2017 and 2018, our Group's revenue generated from the overlapped products accounted for approximately 1.9%, 4.0% and 6.6% of total revenue, respectively. Our Group's gross profit generated from the overlapped products accounted for approximately 2.4%, 3.0% and 4.6% of total gross profit for the corresponding periods. Also, as confirmed by CFL Business, the revenue and gross profit generated from the overlapped products amounted to approximately US\$8.6 million (equivalent to approximately HK\$66.7 million) and US\$1.2 million (equivalent to approximately HK\$9.3 million) for the year ended 31 March 2016, approximately US\$6.2 million (equivalent to approximately HK\$48.1 million) and US\$0.8 million (equivalent to approximately HK\$6.2 million) for the year ended 31 March 2017, and

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approximately US\$1.9 million (equivalent to approximately HK\$14.7 million) and US\$0.2 million (equivalent to approximately HK\$1.6 million) for the year ended 31 March 2018, respectively.

- (iii) market segmentation: our Group strives to manufacture for international apparel brands with more demanding standards in quality and workmanship of its apparel products. The following table sets forth the lowest, highest and average unit selling prices (to our customers) our Group achieves in each product categories for the year ended 31 March 2018:

Product category	Lowest <i>HK\$</i>	Highest <i>HK\$</i>	Average <i>HK\$</i>
Outerwear	89.5	2,503.6	329.9
Bottoms	37.2	3,225.8	102.9
Tops	71.4	713.1	144.6
Others	84.2	1,803.1	199.5
	<u>37.2</u>	<u>3,225.8</u>	<u>154.8</u>

The ability to do these high-priced apparel products for our customers underscores our market positioning as an apparel manufacturer of up-market international brands. The following table sets forth the lowest, highest and average unit selling prices (to CFL Business' customers) the CFL Business achieves in overlapped products and non-overlapped products for the year ended 31 March 2018:

	Lowest <i>HK\$</i>	Highest <i>HK\$</i>	Average <i>HK\$</i>
Overlapped products	44.0	77.4	56.0
Non-overlapped products	4.5	1,386.9	102.5

Notes:

- Overlapped products represent products in a purchase order that (i) are commercially feasible for both CFL Business and our Group to provide at a similar and/or competitive price to their customer; and (ii) both the CFL Business and our Group are qualified suppliers for that apparel product having satisfied the customer's selection criteria. Having reviewed the customers, products and sales orders from the CFL Business and our Group, the overlapped products are woven casual bottoms (non-denim and non-functional wear) where the order quantities are larger, quality requirement are less stringent and the customers can reasonably be expected to be indifferent whether the product is supplied by us or the CFL Business.
- Non-overlapped products represent products that our Group did not manufacture and/or provide to our customers during the Track Record Period, including accessories (i.e. wallets, bags, belts and socks), knitwear (i.e. sweaters and cut and sewn knits), casual wear and sportswear (i.e. denim jeans, jackets, pants and shorts) save and except the overlapped products as defined above, and functional wear (i.e. outdoor clothing, functional outerwear and swimwear). Our Directors confirmed that in the foreseeable future, our Group has no intention to accept any purchase order of the above-mentioned non-overlapped products the CFL Business provided.

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This further illustrates the differences between the market segmentation and product differentiation between our Group's business and the CFL Business;

- (iv) independence of boards and management: there is no overlap of management and directors in our Group and the CFL Business with the only exception of our non-executive Director, Mr. William Choi. Mr. William Choi is a passive investor who has not participated in the day-to-day management of our Group and has remained in his non-executive role in our Group throughout the Track Record Period. Mr. William Choi has no intention to participate in the daily management or operation of our Group. None in the management of our Group or the CFL Business has ever been involved in each other's business, and there has been nil or miniscule business between the CFL Business and our Group during the Track Record Period. The total separation and lack of collaboration between the management further indicates the independence of our Group's business and the CFL Business.

Lastly, for the years ended 31 March 2016, 2017 and 2018, there were six, seven and seven customers, respectively, out of which one, two and one were common customers of both our Group and the CFL Business. Our Directors are of the view that there is immaterial competition as (i) the products purchased by Customer A from the CFL Business were different from those offered by our Group during the Track Record Period; (ii) the management of the CFL Business confirmed to our Group that it would no longer serve Customer A from October 2017 onward; and (iii) the management of the CFL Business confirmed to our Group that there was no revenue generated from Customer G during the Track Record Period except for a test order of knit products, one of the non-overlapped products, during the year ended 31 March 2017. Furthermore, our Group and the CFL Business negotiated and concluded sales contracts independently with their respective customers during the Track Record Period and our Directors confirm that our Group has never experienced any loss of customer or order during the Track Record Period as a result of any potential competition between our Group and the CFL Business.

Based on the abovementioned, our Directors are of the view and the Sole Sponsor concurs, that competition between our Group's business and the CFL Business is immaterial. Our Controlling Shareholder, Mr. William Choi also confirmed that he has no intention to inject any part of the CFL Business into our Group.

NON-COMPETITION UNDERTAKINGS

Each of Moonlight, Mr. CW Siu, Ms. Alice Wong and Mr. YM Siu (the "**Group A Covenantors**") has entered into the Deed of Non-competition II in favour of our Company prior to the Listing. Each of Rainbow Galaxy, C.F.L. Enterprise, CFL Global and Mr. William Choi (the "**Group B Covenantors**", together with the Group A Covenantors as the "**Covenantors**" and each a "**Covenantor**") has entered into the Deed of Non-competition I in favour of our Company prior to Listing. C.F.L. Enterprise and CFL Global are two companies of which Mr. William Choi has interest in.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Under the respective Deeds of Non-competition, each of the Group A Covenantors and the Group B Covenantors has respectively irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee of the members of our Group) that:

- (a) each of the Covenantors shall not, and shall procure each of his/its close associates, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any Restricted Business;
- (b) if each of the Covenantors and/or any of his/its close associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business and/or the Overlapped Business, he/it shall: (i) promptly within seven days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates; and
- (c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or his/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

The above undertakings (a) to (c) are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by the independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors, confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

decides to be involved, engaged, or participate in the relevant Restricted Business, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

In addition, upon the Listing, each of the Covenantors has also undertaken:

- (i) to provide our Company and our Directors from time to time (including the independent non-executive Directors) with all information considered necessary by the independent non-executive Directors, for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Deeds of Non-competition and the enforcement of the non-competition undertakings in the Deeds of Non-competition;
- (ii) if necessary, after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deeds of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (iii) to allow the auditors to have sufficient access to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deeds of Non-competition.

In respect of the CFL Business, CFL Global, C.F.L. Enterprise and Mr. William Choi have undertaken:

- (i) that C.F.L. Enterprise and CFL Global will not accept purchase orders from any customers of our Group except for the purchase orders in categories that our Group does not offer such as denims and knitwear products; and
- (ii) to send our Group a half-yearly report containing the lists of orders and customers of the CFL Business. Our Group will review the list of orders and customers of the CFL Business and conduct sampling review of the underlying purchase orders to check whether (a) any order falls in the category of the Restricted Business; and (b) any common customers exist between our Group and the CFL Business.

The non-competition undertaking will take effect from the Listing Date and will cease to have any effect upon the earliest of the date on which (i) such Covenantors and his/her/its respective close associates, individually or taken as a whole, cease to own, in aggregate, 30% or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

more of the then issued share capital of our Company and (ii) the Shares cease to be listed on the Stock Exchange or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES

In order to resolve actual or potential conflicts of interest between our company and our Controlling Shareholders and to ensure the performance of the above non-competition undertakings, our Company will adopt the following measures:

- (i) in case of any actual or potential conflict of interest, the relevant Director will abstain from attending and voting in any meeting or part of any meeting convened to consider any New Business Opportunity, any contract or arrangement or other proposal in which he or any of his close associates is materially interested, and shall not be counted towards the quorum for such meeting;
- (ii) our audit committee will review, on an annual basis, compliance with the Deeds of Non-competition given by our Controlling Shareholders;
- (iii) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deeds of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our Independent Non-Executive Directors for our review and enforcement of the Deeds of Non-competition;
- (iv) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deeds of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (v) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;
- (vi) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed;
- (vii) in respect of the CFL Business, our Group will review the list of orders and customers of the CFL Business and conduct sampling review of the underlying purchase orders to check whether (a) any order falls in the category of the Restricted Business; and (b) any common customers exists between our Group and the CFL Business;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (viii) in respect of the non-overlapped products, our Group will not accept any purchase orders that are (a) knitwear (i.e. sweaters and cut and sewn knits); (b) denim wear (i.e. denim jeans and jackets) and (c) functional wear (i.e. athletic wear, functional outdoor and swimwear); and
- (ix) in respect of the overlapped products, our Group undertakes to minimize future competition between the CFL Business and us. Our Directors expect that the revenue generated from the overlapped products would only account for less than 6% of our total revenue.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

CONNECTED TRANSACTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Our Group has entered into transactions with entities which will be regarded as connected person of our Company upon Listing and such transactions will constitute continuing connected transaction of our Company upon Listing under the Listing Rules. Details of the transactions are set out below.

TENANCY AGREEMENTS BETWEEN OUR GROUP AND WIN 18, WIN 19 AND WIN 20

Background and principal terms

On 8 February 2018, our Group as tenant had entered into the Tenancy Agreements with Win 18, Win 19 and Win 20 as landlords respectively. In accordance with the terms and conditions of the Tenancy Agreements, Win 18, Win 19 and Win 20 each respectively agrees to lease the Win 18 Premises, the Win 19 Premises and the Win 20 Premises, from 8 February 2018 to 31 January 2021 (both days inclusive). The rent free period under the Tenancy Agreements is from 8 February 2018 to 30 April 2018 (both days inclusive).

Win 18, Win 19 and Win 20 are all companies incorporated in Hong Kong which are wholly owned by Winfield. Winfield is owned as to 50% by Moonlight and as to 50% by Rainbow Galaxy. Moonlight and Rainbow Galaxy are the Controlling Shareholders of our Company. As such, each of Win 18, Win 19 and Win 20 are connected persons of our Company as defined under Chapter 14A of the Listing Rules.

Historical transaction amounts, proposed annual caps and basis of determination

As the Tenancy Agreements only commenced from 8 February 2018, there was no historical amounts recorded for the three years ended 31 March 2017. The proposed annual caps for the rental contemplated under the Tenancy Agreements are set out below:

	From 8 February 2018 to 31 March 2018 <i>HK\$'000</i>	Year ending 31 March 2019 <i>HK\$'000</i>	Year ending 31 March 2020 <i>HK\$'000</i>	10 months ending 31 January 2021 <i>HK\$'000</i>
Rental under the Tenancy Agreements	Nil	4,125	4,500	3,750

The annual rental paid and payable by our Group under each of the Tenancy Agreements will be HK\$1,375,000 for the year ending 31 March 2019, which is determined after arm's length negotiation between the parties thereto by reference to the prevailing market rates.

CONNECTED TRANSACTION

The independent property valuer of our Group has reviewed the Tenancy Agreements and conducted market search on the leasing market in Hong Kong. It has confirmed that the terms of the Tenancy Agreements, including the rental payable thereunder, are fair and reasonable and the rental payment thereunder reflects the prevailing market rate as at the date of the commencement of the Tenancy Agreements.

Listing Rules Implications

The Tenancy Agreements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing, as the relevant applicable percentage ratios, on an annual basis, is less than 25% and the annual consideration is less than HK\$10,000,000, are subject to the announcement requirement but exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules upon the Listing.

REASONS FOR THE WAIVER APPLICATION

Given their recurring nature, our Directors consider that strict compliance with the requirement set out in Rule 14A.76 of the Listing Rules in respect of the Tenancy Agreements would be unduly burdensome, impractical and add unnecessary administrative costs to our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, the Sole Sponsor, on behalf of our Company, has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver with respect to the continuing connected transactions contemplated under the Tenancy Agreements from strict compliance with the announcement requirement, subject to the following conditions:

- (a) the annual aggregate value of the transactions contemplated under the Tenancy Agreements will not exceed the respective annual caps; and
- (b) our Company will comply with the relevant provisions and requirements under the Listing Rules, including in the event that the terms of the Tenancy Agreements are altered or our Group enters into any new transactions or agreements with any of the connected person of our Company in the future.

If any terms of the transactions under the Tenancy Agreements are altered or if our Company enters into any new agreements with any connected persons in the future, our Company will fully comply with the relevant requirements under Chapter 14A of the Listing Rules, unless it applies for and obtains a separate waiver from the Stock Exchange.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) have reviewed the Tenancy Agreements and are of the view that the entering into of the Tenancy Agreements is in the ordinary and usual course of the business of our Group, and the Tenancy Agreements, including the annual caps, are on normal commercial term, and such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTION

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed relevant information and documentation provided by our Group in relation to the non-exempt continuing connected transactions described above. On such basis, the Sole Sponsor is of the view that the entering into of the Tenancy Agreements is in the ordinary and usual course of business of our Group, the Tenancy Agreements, including the annual caps, are on normal commercial term, and such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth the information concerning our Directors and senior management:

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities	Relationship with other Directors, senior management and Controlling Shareholders
Executive Directors						
Ms. Wong Mei Wai Alice (王美慧)	61	Executive Director and chief executive officer	1 November 2012	6 June 2017	Responsible for formulating the overall strategic planning, business development, product development and managing key client accounts Member of our Remuneration Committee and Nomination Committee	Spouse of Mr. CW Siu, mother of Mr. YM Siu and aunt of Mr. Wong Chi Wai Kelven Mr. CW Siu wholly and beneficially owns Moonlight, a Controlling Shareholder and the single largest Shareholder upon Listing
Mr. Siu Yik Ming (蕭翊銘)	32	Executive Director	10 June 2014	31 July 2017	Responsible for the overall management of company wide production facilities	Son of Mr. CW Siu and Ms. Alice Wong and cousin of Mr. Wong Chi Wai Kelven Mr. CW Siu wholly and beneficially owns Moonlight, a Controlling Shareholder and the single largest Shareholder upon Listing
Mr. Chung Sam Kwok Wai (鍾國偉)	63	Executive Director and chief financial officer	2 December 2013	31 July 2017	Responsible for monitoring the overall management and the financial operation of our Group	Nil

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities	Relationship with other Directors, senior management and Controlling Shareholders
Non-executive Director						
Mr. Choi Siu Wai William (蔡少偉)	66	Non-executive Director and chairman of the Board	19 September 2012	31 July 2017	Responsible for providing the overall strategic direction to our Group Chairman of our Nomination Committee and a member of our Remuneration Committee	Mr. William Choi is the settlor of the Choi's Family Trusts which ultimately have 100% shareholding of Rainbow Galaxy, a Controlling Shareholder of the Company
Independent non-executive Directors						
Mr. Chan Kee Huen Michael (陳記煊)	66	Independent non-executive Director	21 September 2018	21 September 2018	Responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct Chairman of our Audit Committee; member of our Remuneration Committee and our Nomination Committee	Nil
Mr. Cheng King Hoi Andrew (鄭敬凱)	60	Independent non-executive Director	21 September 2018	21 September 2018	Responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct Member of our Audit Committee, our Remuneration Committee and our Nomination Committee	Nil

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities	Relationship with other Directors, senior management and Controlling Shareholders
Mr. Ko Ming Tung Edward (高明東)	57	Independent non-executive Director	21 September 2018	21 September 2018	Responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct Chairman of our Remuneration Committee, member of our Audit Committee and our Nomination Committee	Nil
Senior management						
Mr. Wong Chi Wai Kelven (王志威)	45	Vice president of merchandising	5 October 2015	1 February 2017	Responsible for the management of merchandising and global client base, and leading the team of product development	Nephew of Mr. CW Siu and Ms. Alice Wong, and cousin of Mr. YM Siu
Mr. Kan Wai Sing (簡偉成)	57	Vice president of manufacturing	10 May 2017	10 May 2017	Responsible for the manufacturing operations of factories in China	Nil
Mr. Mok Chi Ho Don Simon (莫志豪)	57	Senior HR and administration manager	1 April 2014	1 April 2014	Responsible for our Group's human resources policies and personnel management of Zhi Wei	Nil
Ms. Tse Chau Yin (謝秋妍)	53	Senior finance manager	4 July 2013	1 July 2014	Responsible for our Group's finance operations and the financial management of Zhi Wei	Nil
Mr. Wickramasingha Senanayake Appuhamillage Wipul Abayanaga Senanayake	49	Financial controller of Chiefway (PVT) and Chiefway Katunayake	15 March 2007	1 August 2015	Responsible for the financial management of Chiefway (PVT) and Chiefway Katunayake	Nil

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Ms. Wong Mei Wai Alice (王美慧), aged 61, was appointed as a director of Chiefway International, Sterling Apparel and Excel Tops on 12 March 2004, 19 June 2012 and 23 May 2017 respectively, and has been the chief executive officer of Sterling Apparel since November 2012. She was re-designated as an executive Director of our Group on 6 June 2017. She is also a member of our Remuneration Committee and Nomination Committee of our Company. Ms. Alice Wong is primarily responsible for formulating overall strategic planning, business development, product development and managing key client accounts. Ms. Alice Wong is the spouse of Mr. CW Siu, a Controlling Shareholder of our Company, and the mother of Mr. YM Siu, an executive Director of our Group. Ms. Alice Wong is also the aunt of Mr. Wong Chi Wai Kelven, a member of our senior management.

Ms. Alice Wong has accumulated more than twenty years of experience in the apparel industry. Ms. Alice Wong was the general manager of SPHK from 1 July 1994 to 31 October 2012, which was the predecessor company of Sterling Apparel.

Ms. Alice Wong was adjudged bankrupt in Hong Kong on 18 December 1992 and was subsequently discharged from bankruptcy on 1 April 1999. Having regard to the fact that (i) the discharge of Ms. Alice Wong's bankruptcy was in 1999; (ii) our Directors were not aware that her bankruptcy resulted from or was related to dishonesty or any integrity issue; (iii) Ms. Alice Wong's contribution to the success of our Group, our Directors believe that Ms. Alice Wong has the character, experience and integrity to act as our Director and will be able to demonstrate a standard of competence commensurate with her position as a director of a listed issuer as required under the Listing Rules.

Save as disclosed in this prospectus, as at the Latest Practicable Date, Ms. Alice Wong (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Siu Yik Ming (蕭翊銘), aged 32, was appointed as a director of Zhi Wei on 14 July 2017 and was re-designated as an executive Director of our Group on 31 July 2017. Mr. YM Siu has been the director of the Katunayake Factory and the Meegoda Factory respectively for almost three years prior to them being acquired by our Group. He is now responsible for the overall management of our production facilities in Sri Lanka and the PRC.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. YM Siu is the son of Mr. CW Siu, a Controlling Shareholder of our Company and Ms. Alice Wong, an executive Director of our Group. Mr. YM Siu is also the cousin of Mr. Wong Chi Wai Kelven, a member of our senior management.

Mr. YM Siu graduated from the Curtin University of Technology in Australia with a bachelor's degree in commerce in August 2009. He was appointed as a general manager of Chiefway International where he was responsible for the management of apparel orders allocated to Zhi Wei.

Mr. YM Siu was previously a director of the following company prior to its dissolution:

<u>Company name</u>	<u>Place of incorporation or establishment</u>	<u>Principal business activity immediately prior to its dissolution</u>	<u>Date of dissolution</u>	<u>Details</u>
D.A.S. Enterprise Limited (騰達企業有限公司)	HK	Trading of mobile phone accessories	3 January 2014	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. YM Siu confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above company; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

Save as disclosed in this prospectus, as at the Latest Practicable Date, Mr. YM Siu (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chung Sam Kwok Wai (鍾國偉), aged 63, was appointed as a director of Elegant Maker on 23 November 2016, and was re-designated as an executive Director of our Group on 31 July 2017. Mr. Chung has been the chief financial officer of Sterling Apparel since December 2013. Mr. Chung is responsible for monitoring the overall management and the finance operation of our Group.

Mr. Chung graduated from the University of British Columbia in Canada with a master of business administration in November 1982 and the Simon Fraser University in Canada with a bachelor of arts in June 1980. He obtained the qualification of Certified General Accountant of Canada in June 1984. Mr. Chung has accumulated more than twenty years of experience in financial management in Hong Kong, U.S. and Canada. The following table highlights Mr. Chung's professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
M & V Int'l Manufacturing (HK) Limited	Knitwear manufacturing and exporting in HK	Chief financial officer	from May 2010 to May 2012
Singpoli Pacifica, LLC	Real estate development in U.S.	Chief financial officer	from January 2009 to December 2009
Yangtze Telecom Corp., a company formerly listed on the TSX Venture	Telecom value-added services in China	Chief financial officer and director	from February 2004 to November 2008
EAS International (USA) Inc.	International freight forwarding and logistics services	President	from June 1996 to May 2001
Manchu New York Inc.	Apparel trading in U.S., PRC and HK	President	from September 1994 to June 1996
Manchu Inc.	Apparel trading and manufacturing in U.S. PRC and HK	Vice president of finance and administration	from September 1989 to September 1994

Save as disclosed in this prospectus, as at the Latest Practicable Date, Mr. Chung (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Non-executive Director

Mr. Choi Siu Wai William (蔡少偉), aged 66, is one of our Controlling Shareholders and was appointed as a director of Sterling Apparel and Chiefway International on 19 September 2012 and 10 June 2014 respectively and was re-designated as our non-executive Director and chairman of our Board on 31 July 2017. Mr. William Choi is also the chairman of our Nomination Committee and a member of our Remuneration Committee on 21 September 2018. Mr. William Choi is responsible for providing the overall strategic direction to our Group.

Mr. William Choi was admitted as an honorary professor from the Hong Kong Polytechnic University in June 2011 and was admitted as an honorary professor from the Lincoln University in the U.S. in September 2010. Mr. William Choi graduated from the University of California, Berkeley in the U.S. with a master of business administration in December 1975. Mr. William Choi is a director of various apparel trading companies. He also holds a number of roles such as the (i) managing director of the Federation of Hong Kong Chiu Chow Community Organisations; (ii) vice president of the Hong Kong Chiu Chow Chamber of Commerce; (iii) chairman of the Overseas Teo Chew Entrepreneurs Association; (iv) vice president of the Chiu Yang Residents Association of Hong Kong Ltd.; (v) director of the Federation of Hong Kong Garment Manufacturers; (vi) executive vice chairman of HK Bio-Med Innotech Association; (vii) president of the Hong Kong Food Safety Association; (viii) executive director of the Federation of Hong Kong Guangdong Community Organisations; (ix) chairman of Hong Kong Federation of Senior Citizen Industries; (x) vice president of the Hong Kong Children, Babies, Maternity Industries Association Limited; (xi) honorary president of Central District Junior Police Call Honorary President Council; and (xii) honorary president of Central District Senior Police Call Honorary President Council. In addition, he is also the supervisor of the Chiu Yang Primary School of Hong Kong and director of Chiu Yang Por Yen Primary School.

Mr. William Choi is a director of C.F.L. Enterprise, a company that is principally engaged in the provision of apparel supply chain management solutions for its customers. For further details, please refer to the section headed “Business – Our customers – Related customer”. He also has an indirect interest in CFL Global, a company who had a common customer with our Group, namely, Customer A. However, CFL Global has confirmed that it would no longer do business with Customer A after shipping products for the fall season 2017, which shall take place in or around October 2017. For further details, please refer to the section headed “Relationship with our Controlling Shareholder – Non-competition undertakings”. He has brought his experience and expertise in the apparel industry to our Group’s business. Mr. William Choi is the settlor of the Choi’s Family Trusts which ultimately controls Rainbow Galaxy, a Controlling Shareholder of our Company which holds 34.0% of the issued share capital of our Company upon Listing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. William Choi was previously a director of the following companies prior to their dissolutions:

Company name	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution	Date of dissolution	Details
C F I Hong Kong Limited (賽輝香港有限公司) (formerly known as C.F.L. International Limited (賽輝國際有限公司))	HK	Trading	15 January 2016	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
CFL Concepts Limited	HK	Trading	13 May 2005	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Cheer Bingo Limited (齊佰有限公司)	HK	Trading	7 March 2014	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Grand Treasure Industries Limited (君寶實業有限公司)	HK	Apparel manufacturing	20 June 2014	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Effeil Asia Investment Limited (埃菲爾亞洲投資有限公司)	HK	Trading	29 March 2018	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Happy Great Investment Limited (喜勁投資有限公司)	HK	Property investment	23 December 2016	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Hg Fashions Limited (億志時裝有限公司) (formerly known as Trans Americaine Diffusion Limited)	HK	Apparel trading	29 December 2006	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>

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Company name	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution	Date of dissolution	Details
Joinmind Limited (再達有限公司)	HK	Apparel trading	4 April 2007	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Kada Garment Manufacturing Company Limited (奇達製衣有限公司)	HK	Apparel manufacturing	20 May 2010	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
LPG Education International Limited (萊諾巴黎高級餐飲教育有限公司)	HK	Trading	6 March 2015	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
New Sense Garments Limited (新誠製衣有限公司)	HK	Apparel trading	5 July 2002	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Oi Kuen Limited (愛娟有限公司)	HK	Investment	22 September 2017	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
Poda Laundry And Dyeing Company Limited (寶達洗染有限公司) (formerly known as Running Industrial Limited 運盈實業有限公司)	HK	Apparel manufacturing	14 December 2012	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
System Clothing Company Limited (formerly known as Kentlight Investment Limited (建潤投資有限公司))	HK	Apparel trading	3 September 2010	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>

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Company name	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution	Date of dissolution	Details
Treasure Double Enterprises Limited (添寶企業有限公司)	HK	Property investment	3 February 2017	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. (Note)
Vieco World Trade Limited (綠糖生活環球貿易有限公司)	HK	Trading	29 March 2018	It was de-registered under section 751 of the Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. (Note)

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32) and section 751 of the Companies Ordinance (Chapter 622), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. William Choi confirmed that (i) there is no wrongful act on his part leading to the above dissolutions of companies; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the above dissolutions of the companies; and (iii) the above companies were solvent at the time of their dissolutions.

As at the Latest Practicable Date, Mr. William Choi (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Independent non-executive Directors

Mr. Chan Kee Huen Michael (陳記煊), aged 66, was appointed as an independent non-executive Director on 21 September 2018 and is the chairman of our Audit Committee. Mr. Chan is also a member of our Remuneration Committee and Nomination Committee. Mr. Chan is primarily responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct.

Mr. Chan graduated from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) with a higher diploma in accountancy in November 1976 and was awarded the postgraduate diploma from University of Surrey in the U.K. in March 1998. Mr. Chan was admitted as a fellow of (i) the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in December 1988; (ii) CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) in April 1992; and (iii) the Hong Kong Institute of Directors in May 2000. Mr. Chan was also admitted as an associate of the Association of Chartered Certified Accountants (formerly known as the Chartered Association of Certified Accountants) in April 1986 and the Institute of Chartered Accountants in England and Wales in October 2004. Mr. Chan was admitted as a member of (i)

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the Institute of Internal Auditors in January 1997; (ii) the Hong Kong Computer Society in May 1998; and (iii) the Chartered Institute of Arbitrators in February 2000. He was admitted as a certified information systems auditor of the Information Systems Audit and Control Association in September 1985 and a specialist in Information Technology of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) in January 2001.

Mr. Chan is the chief executive of C&C Advisory Services Limited since January 2009. Prior to that, Mr. Chan was the deputy general manager of group compliance at Ping An Insurance (Group) Company of China, Limited, an insurance company listed on the Stock Exchange (stock code: 2318) from December 2006 to December 2009. Mr. Chan has over thirty years of working experience in auditing, financial management, internal audit and compliance in Hong Kong, the U.K., the PRC and Australia. He was an adjunct professor of the School of Accounting and Finance, Hong Kong Polytechnic University from September 2009 to August 2014.

Mr. Chan is currently an independent non-executive director of companies listed on the Stock Exchange, namely Lansan Pharmaceutical Holdings Limited (Stock Code: 0503) since April 2010, Huarong Investment Stock Corporation Limited (formerly known as Chun Sing Engineering Holdings Limited) (Stock Code: 2277) since June 2016 and China Baoli Technologies Holdings Limited (Stock Code: 164) since August 2017. He was also an independent non-executive director of K.H. Group Holdings Limited (Stock Code: 1557) from February 2016 to August 2018.

As at the Latest Practicable Date, Mr. Chan (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) he is independent from and did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheng King Hoi Andrew (鄭敬凱), aged 60, was appointed as an independent non-executive Director on 21 September 2018. Mr. Cheng is also a member of our Audit, Remuneration and Nomination Committee. Mr. Cheng is primarily responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct. Mr. Cheng is a committee member of 中國人民政治協商會議四川省第十、十一屆委員會 (the tenth and eleventh committee of the Chinese Peoples' Political Consultative Conference of Sichuan Province of the PRC) since December 2007, the senior economic advisor of 哈爾濱利民經濟技術開發區 (Li Min-Harbin Economic and Technological Development Zone) since July 2012, the vice president of the Hong Kong Chiu Chow Chamber of Commerce (香港潮州商會) since September 2016 and the co-president of the Overseas Teo Chew Entrepreneurs Association Limited (海外潮人企業家協會有限公司) since January 2015. Mr. Cheng was also awarded as a 中國交通企業十大傑出管理人物 (China Public Transport Ten Outstanding Management Award) from the China Association of Communication Enterprise Management (中國交通企業管理協會) in June 2009 and a World Outstanding Chinese Award (世界傑出華人獎) from the World Chinese Business Investment Foundation (世界華商投資基金會) in May 2013.

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Mr. Cheng was previously a director of the following companies prior to their dissolutions:

Company name	Place of incorporation or establishment	Principal business activity immediately before dissolution	Date of dissolution	Details
HK Kwoon Chung (Chongqing) Bus Investment Limited (冠忠(重慶)投資有限公司) (formerly known as HK Kwoon Chung (Chongqin) Bus Investment Limited (冠忠(重慶)投資有限公司))	HK	Investment	23 August 2013	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>
HongKong Shanghai Advertising Co. Limited (香港申城廣告有限公司) (formerly known as Mainstream Investments Limited)	HK	Advertising	29 July 2005	It was being struck off under section 291(5) of the Predecessor Companies Ordinance due to inactivity of business. Accordingly, it was dissolved upon striking off. <i>(Note)</i>
Hopha International Consultants Limited (鴻發國際顧問有限公司)	HK	Investment	8 July 2005	It was being struck off under section 291(5) of the Predecessor Companies Ordinance due to inactivity of business. Accordingly, it was dissolved upon striking off. <i>(Note)</i>
Wealth Crown Investment Limited (運冠投資有限公司)	HK	Investment	19 June 2009	It was de-registered under section 291AA of the Predecessor Companies Ordinance due to cessation of business. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>

Note: Under section 291AA and 291(5) of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration and striking off can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Cheng confirmed that (i) there is no wrongful act on his part leading to the above dissolutions of companies; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the above dissolutions of the companies; and (iii) the above companies were solvent at the time of their dissolutions.

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Mr. Cheng was an executive director of Kwoon Chung Bus Holdings Limited (Stock Code: 0306) from July 1996 to December 2012. Mr. Cheng resigned as an executive director and now is the head of China business due to the change in role. Mr. Cheng is currently an independent non-executive director of Evergreen International Holdings Limited (Stock Code: 0238) since June 2012.

As at the Latest Practicable Date, Mr. Cheng (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) he is independent from and did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Ko Ming Tung Edward (高明東), aged 57, was appointed as an independent non-executive Director on 21 September 2018. Mr. Ko obtained a bachelor of laws degree as an external student from the University of London in U.K. in August 1986 and is a member of The Law Society of Hong Kong since March 1991. Mr. Ko is the principal of Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 26 years.

Mr. Ko holds the following positions in companies listed on the Stock Exchange:

<u>Company</u>	<u>Principal business</u>	<u>Stock code</u>	<u>Position</u>	<u>Duration of tenure</u>
Sinofert Holdings Limited (formerly known as Sinochem Hong Kong Holdings Limited and Wah Tak Fung Holdings Limited)	Fertilizer company	0297	Independent non-executive director	from April 2000 to present
Wai Chun Group Holdings Limited (formerly known as Plus Holdings Limited)	Trading Financial services Investment holdings Securities investments	1013	Independent non-executive director	from August 2008 to present
EverChina Int'l Holdings Company Limited (formerly known as Interchina Holdings Company Limited)	Hotel operation Property investment Financial operation Natural resources operation Securities investment	0202	Independent non-executive director	from April 2009 to present
Chia Tai Enterprises International Limited	Biochemical business Industrial business	3839	Independent non-executive director	from September 2014 to present
Zioncom Holdings Limited	Information technology hardware manufacturer	8287	Independent non-executive director	from December 2017 to present

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Mr. Ko was an independent non-executive director of Chinese Energy Holdings Limited (formerly known as iMerchants Limited) (Stock Code: 8009) from August 2015 to August 2017.

Mr. Ko was also a non-executive director of Asia Investment Finance Group Limited (formerly known as Harmonic Strait Financial Holdings Limited and Rainbow Brothers Holdings Limited) (Stock Code: 0033) from May 2011 to July 2015.

Mr. Ko was previously a director of the following company prior to its dissolution:

<u>Company name</u>	<u>Place of incorporation or establishment</u>	<u>Principal business activity immediately before dissolution</u>	<u>Date of dissolution</u>	<u>Details</u>
Smako Investments Limited (鵬高投資有限公司)	HK	Property holding	7 November 2003	It was de-registered under section 291AA of the Predecessor Companies Ordinance as the company's purpose is no longer necessary. Accordingly, it was dissolved upon de-registration. <i>(Note)</i>

Note: Under section 291AA of the Predecessor Companies Ordinance (Chapter 32), an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Ko confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above company; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

As at the Latest Practicable Date, Mr. Ko (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) he is independent from and did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Disclosure of relationships as required under Rule 13.51(2) of the Listing Rules

For further details about our Directors, including the particulars of their service contracts and remuneration, please refer to the section headed "C. Further information about Directors, management, staff and experts – 1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations" in Appendix IV to this prospectus. Save as disclosed in this

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prospectus, there are no other matters relating to our Directors that need to be brought to the attention of the Shareholders and there are no other matters in respect of each of our Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wong Chi Wai Kelven (王志威), aged 45, joined our Group as a general merchandising manager on 5 October 2015 and was promoted to vice-president merchandising on 1 February 2017. Mr. Wong is responsible for the management of merchandising and our global client base, as well as leading the product development team. Mr. Wong is the nephew of Mr. CW Siu, a Controlling Shareholder of our Company and Ms. Alice Wong, an executive Director of our Group. He is also the cousin of Mr. YM Siu, an executive Director of our Group.

Mr. Wong has over twenty years of experience in merchandising. He worked in SPHK (the predecessor of Sterling Apparel) from March 1996 to April 2000, and subsequently developed his career with other companies. The following table summarises his professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
C.F.L. Enterprise Limited	Apparel manufacturing and exports	General merchandising manager	from July 2005 to August 2015
Chiefway International Limited	Trading	Merchandising manager	from August 2004 to July 2005
C.F.L. Enterprise Limited	Apparel manufacturing and exports	Senior merchandiser	from May 2002 to May 2004
Sterling Possessions (H.K.) Limited	Apparel	Merchandiser	from March 1996 to April 2000

During the three years immediately preceding the Latest Practicable Date, Mr. Wong (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Kan Wai Sing (簡偉成), aged 57, joined our Group as vice-president manufacturing on 10 May 2017 and is responsible for the management of all production facilities including production from outsourced factories in China. He was appointed as a director of Zhi Wei on 14

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July 2017. Mr. Kan graduated from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) with a master of business administration in October 2008. He attended the professional course on supply chain management in the College of Lifelong Learning, Hong Kong University of Science and Technology from November 2001 to December 2001. Mr. Kan passed the qualifying examination in Six Sigma Green Belt and was awarded a certificate from Six Sigma Institute in August 2011. The following table summarises Mr. Kan's professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
Zhong Shan Tungtex Silk Garments Co. Ltd., a subsidiary of Tungtex	Apparel manufacturing	Executive director	from May 2012 to April 2017
Tungtex (Holdings) Company Limited (“ Tungtex ”), a manufacturing company listed on the Stock Exchange (stock code: 0518)	Apparel	General manager – production	from July 2005 to October 2010
Golden Will Fashions Philippines Inc., a subsidiary of Tungtex	Apparel manufacturing	General manager	from March 2000 to July 2005
Golden Will Fashions Ltd., a subsidiary of Tungtex	Apparel trading	Production manager	from March 1997 to March 2000
Wetter (Overseas) Limited	Import and export of apparel products	Merchandising manager of knitting section	from March 1993 to February 1997
André Laye (H.K.) Ltd.	Apparel trading	Senior merchandiser	from June 1991 to November 1992

During the three years immediately preceding the Latest Practicable Date, Mr. Kan (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

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Mr. Mok Chi Ho Don Simon (莫志豪), aged 57, joined our Group as Senior HR and Administration Manager on 1 April 2014 and was appointed as director of Zhi Wei on 14 July 2017. Mr. Mok is responsible for our Group's human resources policies and the personnel management of Zhi Wei. Mr. Mok has over twenty years of experience in human resources and employment matters. Mr. Mok graduated from Royal Melbourne Institute of Technology with a bachelor of business administration through distance learning in November 2004. The following table highlights Mr. Mok's professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
Crystal Sweater Ltd.	Apparel production	Senior manager – HR & administration	from May 2013 to March 2014
M&V International Ltd.	Knitwear manufacturing and export	Associate HR & administration director	from August 2011 to April 2013
De' Longhi Kenwood APA Ltd.	Electrical appliances	Regional HR manager	from August 2008 to April 2011
Wong's Electronics Co., Limited	Electronic product manufacturing	Senior HR manager – China plant	from March 2007 to August 2008
Integrated Display Technology Limited	Provision of group administrative services	HR & administration manager – PRC	from January 1999 to September 2006

During the three years immediately preceding the Latest Practicable Date, Mr. Mok (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

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Ms. Tse Chau Yin (謝秋妍), aged 53, joined our Group as a finance manager on 4 July 2013 and was promoted to senior finance manager on 1 July 2014. She was subsequently appointed as a director of Zhi Wei on 14 July 2017. Ms. Tse is responsible for our Group’s finance operations and the financial management of Zhi Wei. Ms. Tse is a member of the Hong Kong Institute of Certified Public Accountant since October 2000. Ms. Tse has over twenty years of experience in accounting. Ms. Tse graduated from the University of Greenwich with a bachelor of accounting and finance through distance learning in March 2014. The following table highlights Ms. Tse’s professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
VF Hong Kong Ltd	Apparel sourcing and retailing	Finance Manager	from October 2001 to May 2012
Guardforce Limited	Provision of security services and products	Accountant – China Division	from September 2000 to October 2001
Gucci Company Limited	Retail of luxury leather goods	Accountant	from April 1994 to March 1999

During the three years immediately preceding the Latest Practicable Date, Ms. Tse (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Wickramasingha Senanayake Appuhamillage Wipul Abayanaga Senanayake (“Mr. W.S.A.”), aged 49, is the financial controller of Chiefway (PVT) and Chiefway Katunayake. He joined Chiefway Lanka on 15 March 2007 as an accountant and was promoted to financial controller from 1 August 2015 till 31 March 2017. Mr. W.S.A. became as financial controller of Chiefway Katunayake since 1 April 2017 upon its acquisition of the business from Chiefway Lanka in March 2017. He was subsequently appointed as a director of Chiefway (PVT) and Chiefway Katunayake on 1 August 2017. In addition, Mr. W.S.A. joined Chiefway (PVT) on 1 April 2015. He is responsible for the overall financial management of Chiefway (PVT) and Chiefway Katunayake.

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Mr. W.S.A. completed his advanced level examination from the Dharmaraja College in Kandy, Sri Lanka, in 1988. He has over 20 years of experience in accounting in Sri Lanka. He has been a member of the Association of Accounting Technicians of Sri Lanka since May 2010. The following table highlights his professional experience prior to joining our Group:

<u>Company name</u>	<u>Principal business activities of the company</u>	<u>Position</u>	<u>Duration</u>
Capital Consolidated Lanka (Pvt) Ltd	Apparel manufacturing, exports and imports	Accountant	from July 2006 to March 2007
P.T.K. Enterprises (Private) Ltd	Apparel manufacturing and exports	Finance manager	from August 2003 to January 2006
		Senior accountant	from October 2002 to August 2003
Lanka Garments Industries (Private) Limited	Outerwear manufacturing and exports	Accountant	from March 2000 to August 2002
Ernest & Young	Chartered accountants	Supervisor	from April 1998 to February 2000
		Senior accountant	from July 1997 to April 1998

During the three years immediately preceding the Latest Practicable Date, Mr. W.S.A. (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

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COMPANY SECRETARY

Mr. Leung Kin Chuen (梁堅存), aged 47, was appointed as the company secretary of our Company on 6 June 2017. Mr. Leung joined our Group as a financial controller on 21 March 2017. Prior to joining our Group, Mr. Leung was an accounting manager of Citychamp Watch & Jewellery Group Limited, a watch and property business company listed on the Stock Exchange (stock code: 0256), from November 2015 to March 2017 and an assistant general manager in the finance department of China Mobile Limited, a telecommunications company listed on the Stock Exchange (stock code: 0941), from February 2006 to October 2013. Mr. Leung also worked at Ernst & Young Business Services Ltd. in the assurance and advisory business service department and technical department from February 2001 to February 2006 with the last position as a senior manager and also worked at KPMG from July 1995 to February 2001 with the last position as an assistant manager. Mr. Leung has over twenty years of experience in the field of auditing, accounting, finance and treasury. In addition, he has over ten years of professional auditing and accounting experience with leading international accounting firms and had held various management positions in listed companies. Mr. Leung obtained a bachelor of business administration in accounting with first class honours from the Hong Kong University of Science and Technology in November 1995 and a master of corporate governance from the Open University of Hong Kong in December 2009. He was a member of the American Institute of Certified Public Accountants (the “AICPA”) in July 1997 and he later rejoined in July 2006. He was also a member of the Hong Kong Institute of Certified Public Accountants in December 2000 and he later rejoined in May 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD COMMITTEES

Audit Committee

Our Group established an audit committee on 21 September 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of all of the independent non-executive Directors, namely, Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward. Mr. Chan Kee Huen Michael is the chairman of the Audit Committee.

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The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

Our Group established a remuneration committee on 21 September 2018 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of five members, namely Ms. Alice Wong, Mr. Choi Siu Wai William, Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward. Mr. Ko Ming Tung Edward is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group also established a nomination committee on 21 September 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Nomination Committee consists of five members, namely, Ms. Alice Wong, Mr. Choi Siu Wai William, Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward. Mr. Choi Siu Wai William is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board to fill vacancies on the same.

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, our Group has appointed "Ample Capital Limited" as our compliance advisor. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor shall advise us on the following circumstances, among others:

- (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 shares issues and share repurchases;

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- (iii) where we propose to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the listed issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on 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 and such appointment may be subject to extension by mutual agreement.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

During the years ended 31 March 2016, 2017 and 2018, the aggregate amount of salary, allowances, benefits in kind and defined contribution paid by our Company to our five highest paid individuals were approximately HK\$5.8 million, HK\$6.9 million and HK\$5.9 million, respectively.

The executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

During the years ended 31 March 2016, 2017 and 2018, the aggregate amount of fees, salaries, allowances, benefits in kind and defined contribution paid by our Company to our Directors were approximately HK\$3.4 million, HK\$3.3 million and HK\$5.2 million, respectively.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group. For further details of the terms of the service agreements, please refer to the section headed "C. Further information about Directors, management, staff and experts – 3. Particulars of service contracts" in Appendix IV to this prospectus.

During the Track Record Period, no emolument was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past directors or the five highest paid individuals for the loss of any office in connection with the management of the affairs of any member of our Group. Our Directors estimate that under the current proposed arrangement the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors will be approximately HK\$8.0 million for the year ending 31 March 2019.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

None of our Directors or the five highest paid individuals waived any emoluments during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Remuneration Policy

Our Directors and senior management receive compensation in the form of salaries and other allowances and benefits in kind with reference to those paid by comparable companies, experience, responsibilities and performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the Remuneration Committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, experience and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme, details of which are set out in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option):

<i>Authorised share capital:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000
 <i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
100	Shares in issue as at the date of this prospectus	1
599,999,900	Shares to be issued pursuant to the Capitalisation Issue	5,999,999
<u>200,000,000</u>	new Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Total	<u>8,000,000</u>

Note: If the Offer Size Adjustment Option is exercised in full, then 34,200,000 additional new Shares will be issued, resulting in a total enlarged issued share capital of HK\$8,342,000 divided into 834,200,000 Shares.

ASSUMPTIONS

The table as shown above assumes the Share Offer becoming unconditional and the allotment and issue of shares pursuant thereto and under the Capitalisation Issue is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option and any Shares which may be allotted and issued or bought back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back shares referred to in the paragraphs headed “General mandate to issue shares” or “General mandate to buy back shares” in this section, as the case may be.

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends and other distributions declared, paid or made on the shares in respect of a record date which falls after the Listing Date (except for the entitlement under the Capitalisation Issue).

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital in the Company in the hands of the public (as defined in the Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option); and
- (b) the aggregate number of Shares of our Company bought back pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to buy back shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option. This general mandate to issue shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please refer to the section headed “A. Further information about our Group – 3. Written resolutions of our Shareholders dated 21 September 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option).

For further details of this general mandate, please refer to the section headed “A. Further information about our Group – 6. Buy-back by our Company of its own securities” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its Shares into several classes, (iv) subdivide its Shares into shares of smaller amount, and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. For further details, please refer to the section headed “2. Articles of association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the section headed “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position in our Shares

Name	Capacity/Nature of interest	As at 31 July 2017 (Note 6)		Immediately prior to the completion of the Share Offer and the Capitalisation Issue		Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding
Moonlight	Beneficial owner	1	50.0%	50	50.0%	300,000,000	37.5%
Rainbow Galaxy (Note 1)	Beneficial owner	1	50.0%	50	50.0%	272,000,000	34.0%
Mr. CW Siu	Interest in controlled corporation (Note 2)	1	50.0%	50	50.0%	300,000,000	37.5%
Ms. Alice Wong	Interest of Spouse (Note 3)	1	50.0%	50	50.0%	300,000,000	37.5%
Mr. William Choi	Interest in controlled corporation (Note 4)	1	50.0%	50	50.0%	272,000,000	34.0%
Ms. Cheung Shui Lin	Interest of Spouse (Note 5)	1	50.0%	50	50.0%	272,000,000	34.0%

Note 1: Rainbow Galaxy is directly wholly owned by Angel Sense Limited, a company incorporated in the BVI. Angel Sense Limited is owned as to 50.0% by Mega Capital Assets Limited (a company incorporated in the BVI) and as to 50.0% by Capital Star Assets Limited (a company incorporated in the BVI). Each of Mega Capital Assets Limited and Capital Star Assets Limited is wholly owned by a revocable family trust of which Mr. William Choi is the settlor.

Note 2: The issued share capital of Moonlight is wholly owned by Mr. CW Siu. Mr. CW Siu is deemed to be interested in the Shares in which Moonlight is interested in under Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

Note 3: Ms. Alice Wong is the spouse of Mr. CW Siu and is deemed to be interested in the Shares in which Mr. CW Siu is interested in under Part XV of the SFO. Moonlight, a controlled corporation of our Company, is wholly owned by Mr. CW Siu.

Note 4: These shares are held by Rainbow Galaxy. The issued share capital of Rainbow Galaxy is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor. Mr. William Choi is deemed to be interested in the shares of the Company in which Rainbow Galaxy is interested in under Part XV of the SFO.

Note 5: Ms. Cheung Shui Lin is the spouse of Mr. William Choi and is deemed to be interested in the Shares in which Mr. William Choi is interested in under Part XV of the SFO. Rainbow Galaxy, a controlled corporation of our Company, is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor.

Note 6: The date of filing application and prior to completion of the Reorganisation.

Save as disclosed above, our Directors and chief executives are not aware of any other person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option), have a beneficial interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company 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 member of our Group.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our Group's audited combined financial statements and the notes thereto as set out in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Directors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. Our Group's business and financial performance are subject to substantial risks and uncertainties and our future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk Factors" section of this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

Established in 1993, our Group is a woven apparel manufacturer for international apparel brands with a diversified product portfolio for men, women and children that can be grouped into four major categories, namely, (i) outerwear (e.g. jackets, coats and blazers); (ii) bottoms (e.g. pants, shorts and skirts); (iii) tops (e.g. shirts, blouses and tank tops); and (iv) others (e.g. dresses and suits). Our Group's customers mainly comprise international apparel brands that are headquartered in the U.S. and certain European countries such as the U.K. and Spain with their products sold around the world. With an operating history of more than 23 years, we are committed to providing our customers with quality products particularly in the more tailored apparel market at competitive prices. During the Track Record Period, we recorded revenue of approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million, respectively, and our total profit and comprehensive income attributable to owners of our Company were approximately HK\$26.2 million, HK\$31.1 million and HK\$19.9 million, respectively.

For further details of our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation, as described in the section headed "History, development and Reorganisation" in this prospectus, our Company became the holding company of the subsidiaries now comprising our Group subsequent to the end of the Track Record Period by way of share swaps with Excel Tops. Our Company was incorporated for the purpose of the Reorganisation and has not carried out any business since the date of our incorporation. The

FINANCIAL INFORMATION

combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of all companies now comprising our Group, have been prepared as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, and where there is a shorter period, up to the dates of disposal, the combined statements of financial position of our Group as at 31 March 2016, 2017 and 2018 have been prepared, as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period, and up to date of disposal. All material intra-group transactions and balances have been eliminated on combination. For the purpose of the Accountants' Report set out in Appendix I to this prospectus, our Directors have prepared the combined financial statements of our Group for the Track Record Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of the Main Board Listing Rules and the Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations.

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULT OF OPERATIONS

Our financial condition and result of operations have been, and will continue to be, affected by a number of factors, including those set out below and those set forth in the section headed "Risk factors" in this prospectus.

Reliance on key customers

Our top five customers, all being Independent Third Parties, are international brands mainly headquartered in the United States. Together, they accounted for almost all of our revenue during the Track Record Period. Revenue from Customer A, our largest customer during the Track Record Period with whom we have more than eighteen years of business relationship, amounted to approximately HK\$531.1 million, HK\$465.5 million and HK\$339.5 million, respectively, which accounted for approximately 95.5%, 69.4% and 50.2% of our Group's revenue during the corresponding period. For further details on our reliance on Customer A, please refer to the section headed "Business – Reliance on Customer A" in this prospectus.

We generally enter into purchase orders with our key customers on an order-by-order basis instead of long-term agreements. Although our Directors consider that we have established relationship with our key customers, we cannot assure you that our key customers will continue to do business with us at the same or increased levels or at all. If any of these key customers decide not to purchase any products from us, change any of their suppliers, propose new terms of sales which are unacceptable to us, change their business models, or terminate their respective relationships with us at any time as they wish in the future, our revenue may decline if we are unable to find alternative business opportunities in a timely manner. In such circumstances, our business, prospects, financial conditions and results of operation may be materially and adversely affected.

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Seasonality

During the Track Record Period, our Group's result of operations were affected by seasonal fluctuations in the demand of our apparel products. For the years ended 31 March 2016 and 2017, seasonality flows directly from the annual surge in consumer spending surrounding the holidays of Thanksgiving and Christmas. As such, we generally experienced a higher level of sales from July to September since a large portion of the apparel products we produced (e.g. coats and jackets) were fall/winter clothing that always entails higher selling prices. For the year ended 31 March 2018, the seasonal fluctuation in the demand of our apparel products levelled off primarily due to the changes in our product offering as a result of our effort to diversify our base of customers. The proportion of our sales from July to September was slightly lowered due to the reduced fall sales from Customer A. Instead, the proportion of our sales from October to March increased because of the sales of flight crew uniforms to Customer G. For further details on the changes of our seasonality, please refer to the section headed "Business – Seasonality" in this prospectus. Nonetheless, our operating results for any of our peak periods or slow season in the past should not be taken as an indication of our performance for the entire financial year. The seasonality may vary from year to year as the current year's seasonality does not necessarily indicate the seasonality in future years. Hence, prospective investors should be aware of these seasonal fluctuations when making any comparison of our operating results.

Our relationship with major suppliers

Before the acquisition of Zhi Wei, Chiefway (PVT) and the Katunayake Factory, we outsourced the production of our apparel products from third party factories and related party factories. Notwithstanding the acquisition of Zhi Wei, Chiefway (PVT) and the Katunayake Factory, our Group would continue to outsource production for certain of our apparel products from third party factories. Hence, our Group relies on the ability and efficiency of third party factories in order to cope with our customers' demands and to supplement our production capacity. Generally, our Group engages third party factories on a case-by-case basis instead of long-term agreements. Although our Directors consider that we have established relationship with the third party factories, we cannot assure you that the third party factories will continue to produce at the desired quality and quantity, in a timely manner or on commercially acceptable terms for our Group. Furthermore, any disruptions in the third-party factories' production may materially and adversely affect their ability to produce apparel products in line with the required schedule. Also, if any of the third party factories do not continue to do business with us at the same or increased levels or at all or if there are any changes to the current business arrangements, we may not be able to source suitable products from comparable alternative third party factories in a timely manner or on commercially acceptable terms. In such circumstances, our business, prospects, financial conditions and results of operation may be materially and adversely affected.

FINANCIAL INFORMATION

Our ability to control cost of sales and operating expenses

Our results of operations have been and will continue to be affected by our ability to control our production costs and operating expenses, including cost of raw materials, cost of finished goods, subcontracting charges, selling and distribution costs as well as general and administrative expenses.

During the Track Record Period, our cost of raw materials accounted for approximately 32.3%, 34.4% and 33.4% of our cost of sales, respectively. Generally, our Group ordered from our raw material suppliers on a case-by-case basis instead of on long-term agreements. Our business is dependent upon our and our third party factories' ability to source stable and sufficient supply of raw materials that can meet our and our customers' specifications, including quality, prices, delivery terms and settlement terms. The availability of raw materials may be affected by many factors beyond our and our third party factories' control, including natural disasters, economic conditions, customer demand and governmental regulations. If there is a material shortage in the supply of raw materials, it will affect the production and delivery schedules of us and our third party factories and our customer's perception of our manufacturing and sourcing ability. There is no assurance that our raw material suppliers will continue to supply the raw materials at favourable or similar prices, or at all. In the event that the prices of raw materials continue to rise and our Group is unable to increase the prices of our apparel products to the same or higher extent, the additional costs of our raw materials may be passed on to us by our raw materials suppliers and/or third party factories, as a result our Group's profitability may be adversely affected.

During the Track Record Period, our cost of finished goods and subcontracting charges collectively accounted for approximately 67.7%, 62.7% and 49.8% of our cost of sales, respectively. As described above, during the Track Record Period, our Group continued to outsource production for certain apparel products from third party factories on a case-by-case basis instead of long-term agreements. We cannot assure you that the third party factories will continue to do business with us at the current business arrangements. If any of these third party factories decides to propose new terms which are unacceptable to us or terminate their respective relationships with us at any time as they wish in the future, we may not be able to source suitable products from comparable alternative third party factories in commercially acceptable terms. In the event that the prices of finished goods and subcontracting charges continue to rise and our Group is unable to increase the prices of our apparel products to the same or higher extent, the additional costs may be passed on to us by the third party factories, and as a result our Group's profitability may be adversely affected.

FINANCIAL INFORMATION

Sensitivity analysis

Our Group adopts a cost-plus pricing model whereby the price quotations made to our customers are based on a mark-up on the total costs of our apparel products. Having taken into consideration of the historical fluctuations of cost of sales per piece, which was approximately 6.8%, 7.5% and 13.7% during the Track Record Period, respectively, our Directors are of the view that it is reasonable to adopt a percentage change of 8.0%, 9.0% and 10.0% in the sensitivity analysis. The following table sets forth the sensitivity analysis on the impacts of hypothetical changes in the cost of raw materials, the cost of finished goods and subcontracting charges on our profit before income tax expenses under the condition that the additional costs might not be passed on to our customers during the Track Record Period:

Hypothetical fluctuations	+/- 8.0%	+/- 9.0%	+/- 10.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/decrease in cost of raw materials			
Year ended 31 March 2016	+/-11,757	+/-13,226	+/-14,696
Year ended 31 March 2017	+/-15,502	+/-17,440	+/-19,377
Year ended 31 March 2018	+/-14,764	+/-16,609	+/-18,455
Increase/decrease in cost of finished goods			
Year ended 31 March 2016	+/-15,787	+/-17,760	+/-19,733
Year ended 31 March 2017	+/-18,939	+/-21,307	+/-23,674
Year ended 31 March 2018	+/-20,220	+/-22,748	+/-25,275
Increase/decrease in subcontracting charges			
Year ended 31 March 2016	+/-8,803	+/-9,904	+/-11,004
Year ended 31 March 2017	+/-9,286	+/-10,446	+/-11,607
Year ended 31 March 2018	+/-1,759	+/-1,979	+/-2,199

Our ability to control our selling and distribution costs as well as general and administrative expenses also affects our profitability and results of operations. During the Track Record Period, our selling and distribution costs amounted to approximately HK\$30.9 million, HK\$43.4 million and HK\$43.2 million, respectively, representing approximately 5.6%, 6.5% and 6.4% of our revenue for the corresponding period. For the same period, our general and administrative expenses amounted to approximately HK\$41.9 million, HK\$39.4 million and HK\$50.3 million, respectively, representing approximately 7.5%, 5.9% and 7.4% of our revenue. We expect these costs will continue to be a notable part of our operating expenses.

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Consumer consumption level and macroeconomic conditions

Our Group's customers are predominantly headquartered in the United States. Our Group's performance and profitability are dependent on the consumer consumption level and the macroeconomic conditions around the world especially in the United States. There are many factors which may affect the level of consumer spending in the United States, including but not limited to the level of disposable income, interest rate, currency exchange rate, inflation, political uncertainties, taxation, tariff regime, stock market performance, unemployment level and general consumer confidence.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with the HKFRSs. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. These significant accounting policies are important for understanding the financial condition and results of operation of our Group and such accounting policies are set forth in the "Accountants' Report – Notes to the Financial Information – Note 4 and 5" in Appendix I to this prospectus. We base our estimates on historical experience and other assumptions which our Directors believe to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our Directors have identified below the accounting policies that are most critical to the preparation of our combined financial statements.

Key accounting policies

Revenue recognition

Revenue from sales of goods and other revenue from sales of sample are recognised on transfer of risks and rewards of ownership, which is at the time of delivery when the title is passed to customers.

Interest income from banks and prepaid insurance premium under other revenue are accrued on a time basis on the principal outstanding amount at the applicable interest rate.

Impairment of other assets

At the end of each financial year, our Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised that no longer exists or may have decreased:

- prepaid insurance premium;
- property, plant and equipment;

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- payment for leasehold land held for own use under operating lease; and
- prepayment for leasehold land.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss is recognised as income immediately.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when our Group has a legal or constructive obligation arising as a result of a past event, which is probable that it may result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of Track Record Period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at each of the year end of the reporting period.

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Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where our Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Financial instruments

(i) Financial assets

Our Group classifies its financial assets upon initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the trade receivables, and also incorporate other types of contractual monetary assets (including prepaid insurance premium, amounts due from related parties, cash and cash equivalents). Subsequent to initial recognition, they are carried at amortised costs using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Our Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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Loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that a financial asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Our Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade, bills and other payables, borrowings and other monetary liabilities, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

Our Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

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Inventories

Inventories are initially recognised at cost and subsequently at the lower of cost or net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present locations and conditions. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price per piece in the ordinary course of business less the estimated costs necessary to make the sale.

Key estimates and judgements

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires our Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

Estimated useful lives and residual values of property, plant and equipment

Our Group's management determines the estimated useful lives and residual values for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge when useful lives are less than previously estimated. It will write off technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in future periods.

Estimated impairment of trade and other receivables

The assessment of impairment of trade and other receivables of our Group is based on the evaluation of and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, impairment may be required.

Income taxes

Determining income tax provisions requires our Group to make judgments on the future tax treatment of certain transactions. Our Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

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Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Our Group's management reassesses these estimations at the reporting date.

NON-HKFRS MEASURE

To supplement our combined financial statements which are presented in accordance with HKFRS, we also use earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) as an additional measure, which is not required by, or presented in accordance with HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe this measure provide useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, our presentation of the EBITDA may not be comparable to a similarly titled measure presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation form or as substitute for analysis of our results of operations or financial condition as reported under HKFRS.

Our EBITDA represents our operating profit, adding back depreciation and amortisation of payment for leasehold land held for own use under operating lease. The following table reconciles our EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, with its operating profit:

	For the year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	34,426	39,900	31,739
<i>Add:</i>			
Depreciation of property, plant and equipment	6,264	7,110	11,296
Amortisation of payment for leasehold land held for own use under operating lease	1,449	1,449	570
	42,139	48,459	43,605
EBITDA	42,139	48,459	43,605

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RESULT OF OPERATIONS

The following table summarises the selected items in the combined statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	556,113	670,955	676,856
Cost of sales	<u>(454,332)</u>	<u>(562,787)</u>	<u>(552,029)</u>
Gross profit	101,781	108,168	124,827
Other revenue	6,717	6,556	4,880
Other gains and (losses), net	(1,254)	10,500	1,578
Selling and distribution costs	(30,895)	(43,370)	(43,194)
General and administrative expenses	(41,923)	(39,392)	(50,283)
Listing expenses	<u>–</u>	<u>(2,562)</u>	<u>(6,069)</u>
Operating profit	34,426	39,900	31,739
Finance costs	<u>(2,825)</u>	<u>(3,871)</u>	<u>(5,892)</u>
Profit before income tax expense	31,601	36,029	25,847
Income tax expense	<u>(5,447)</u>	<u>(4,915)</u>	<u>(5,835)</u>
Profit for the year	26,154	31,114	20,012
Other comprehensive income, net of tax	<u>–</u>	<u>(13)</u>	<u>(101)</u>
Total comprehensive income for the year	<u><u>26,154</u></u>	<u><u>31,101</u></u>	<u><u>19,911</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company	<u><u>26,154</u></u>	<u><u>31,101</u></u>	<u><u>19,911</u></u>
Non-HKFRS Measure:			
EBITDA (unaudited)	<u><u>42,139</u></u>	<u><u>48,459</u></u>	<u><u>43,605</u></u>

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EBITDA represents our operating profit, adding back depreciation and amortisation of payment for leasehold land held for own use under operating lease. The use of EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. The term EBITDA is not defined under HKFRS, and EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with HKFRS. The use of EBITDA has limitations as an analytical tool, and you should not consider it in isolation form, or a substitute for analysis of our results of operations or financial conditions as reported.

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue represented the net invoiced amounts received or receivable for products manufactured and sold to our customers. During the Track Record Period, our revenue amounted to approximately HK\$556.1 million, HK\$671.0 million and HK\$676.9 million, respectively.

Our Group's revenue can generally be categorised by geographical location of customers and by major product categories.

Revenue by geographical location of customers

The principal market for our products is the United States as a majority of our customers are headquartered in the United States. During the Track Record Period, our revenue from the United States accounted for approximately 98.2%, 94.7% and 92.6% of our Group's total revenue, respectively.

Revenue by product categories

The following table sets forth the breakdown of our Group's revenue by product categories during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Outerwear	194,394	35.0	239,662	35.7	221,688	32.8
Bottoms	233,266	41.9	280,000	41.7	286,345	42.3
Tops	43,092	7.7	33,459	5.0	38,178	5.6
Others	85,361	15.4	117,834	17.6	130,645	19.3
Total revenue	<u>556,113</u>	<u>100.0</u>	<u>670,955</u>	<u>100.0</u>	<u>676,856</u>	<u>100.0</u>

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The following table sets forth our sales volumes and average selling price per piece by product categories during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>Average selling price per piece</i>		<i>Average selling price per piece</i>		<i>Average selling price per piece</i>	
	<i>Sales volume approximately</i>		<i>Sales volume approximately</i>		<i>Sales volume approximately</i>	
	<i>'000</i>	<i>HK\$</i>	<i>'000</i>	<i>HK\$</i>	<i>'000</i>	<i>HK\$</i>
Outerwear	441	440.5	566	423.2	672	329.9
Bottoms	1,721	135.6	2,538	110.3	2,782	102.9
Tops	364	118.3	178	187.6	264	144.6
Others	348	245.7	564	209.4	655	199.5
Total	2,874	193.5	3,846	174.5	4,373	154.8

The sales volume for outerwear increased by approximately 125,000 pieces or 28.3% from approximately 441,000 pieces for the year ended 31 March 2016 to approximately 566,000 pieces for the year ended 31 March 2017 primarily as a result of the combined effect of (i) more sales orders received from a new customer, Customer G, due to our Group's effort in diversifying our customer portfolio to reduce reliance on Customer A; and (ii) less sales to Customer A due to the reallocation of our limited internal resources and production capacity to Customer G. The sales volume for outerwear increased by approximately 106,000 pieces or 18.7% from approximately 566,000 pieces for the year ended 31 March 2017 to approximately 672,000 pieces for the year ended 31 March 2018 primarily as a result of Customer G's flight crew uniforms, which include jackets (outerwear), pants and skirts (bottoms) and vests (others).

The sales volume for bottoms increased by approximately 817,000 pieces or 47.5% from approximately 1,721,000 pieces for the year ended 31 March 2016 to approximately 2,538,000 pieces for the year ended 31 March 2017 primarily as a result of more sales orders (e.g. school uniform, mostly pants) received from a new customer, Customer G. The sales volume for bottoms increased by approximately 244,000 pieces or 9.6% from approximately 2,538,000 pieces for the year ended 31 March 2017 to approximately 2,782,000 pieces for the year ended 31 March 2018 primarily as a result of sales from Customer G as explained above in outerwear.

The sales volume for tops decreased by approximately 186,000 pieces or 51.1% from approximately 364,000 pieces for the year ended 31 March 2016 to approximately 178,000 pieces for the year ended 31 March 2017 primarily because our new customer, Customer G, ordered relatively less tops than other categories and our resources were allocated to the production of other categories. The sales volume for tops increased by approximately 86,000 pieces or 48.3% from approximately 178,000 pieces for the year ended 31 March 2017 to approximately 264,000 pieces for the year ended 31 March 2018 primarily as a result of more sales orders received from new customers, Customer G and Customer H.

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The sales volume for others increased by approximately 216,000 pieces or 62.1% from approximately 348,000 pieces for the year ended 31 March 2016 to approximately 564,000 pieces for the year ended 31 March 2017 primarily as a result of more sales orders received from a new customer, Customer G. The sales volume for others increased by approximately 91,000 pieces or 16.1% from approximately 564,000 pieces for the year ended 31 March 2017 to approximately 655,000 pieces for the year ended 31 March 2018 primarily as a result of airline vests orders from Customer G.

As a result of the foregoing factors, our Group's total sales volume generally increased during the Track Record Period.

Our Group generally adopted a cost-plus model in pricing our products. For further details, please refer to the section "Business – Pricing strategy" in this prospectus. Customer orders are typically made on an order-by-order basis with specific requirements.

The average selling price per piece for outerwear remained relatively stable at approximately HK\$440.5 and HK\$423.2 for the years ended 31 March 2016 and 2017, respectively. The average selling price per piece for outerwear decreased by approximately HK\$93.3 or 22.0% from approximately HK\$423.2 for the year ended 31 March 2017 to approximately HK\$329.9 for the year ended 31 March 2018 primarily as a result of (i) more sales orders received from Customer G, which was positioned at mid range of the market as compared to Customer A; and (ii) orders received from Customer A with relatively lower prices than previous years.

The average selling price per piece for bottoms decreased by approximately HK\$25.3 or 18.7% from approximately HK\$135.6 for year ended 31 March 2016 to approximately HK\$110.3 for the year ended 31 March 2017 primarily as a result of the combined effect of (i) more sales orders (e.g. school uniform, mostly pants) were received from a new customer, Customer G, which was positioned at mid range of the market; and (ii) less sales orders were received from Customer A which was positioned at mid to high range of the market. The average selling price per piece for bottoms remained relatively stable at approximately HK\$102.9 for the year ended 31 March 2018 as compared to HK\$110.3 for the year ended 31 March 2017.

Compared to other categories, tops generally differ in terms of design and variety leading to a higher fluctuation in average selling price per piece during the Track Record Period. The average selling price per piece for tops increased by approximately HK\$69.3 or 58.6% to approximately HK\$187.6 in tops' average selling price per piece for the year ended 31 March 2017 which was primarily a result of orders of more tailored apparel in 2017 compared to 2016. The average selling price per piece for tops decreased by approximately HK\$43.0 or 22.9% from approximately HK\$187.6 for the year ended 31 March 2017 to approximately HK\$144.6 for the year ended 31 March 2018 primarily as a result of orders of less complexity for tops in 2018 compared to 2017.

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The average selling price per piece for others decreased by approximately HK\$36.3 or 14.8% from approximately HK\$245.7 to approximately HK\$209.4 for the year ended 31 March 2017 primarily as a result of the combined effect of (i) more sales orders were received from a new customer, Customer G which was positioned at mid range of the market; and (ii) less sales orders were received from Customer A which was positioned at mid to high range of the market. The average selling price per piece for others remained relatively stable at approximately HK\$199.5 for the year ended 31 March 2018 as compared to HK\$209.4 for the year ended 31 March 2017.

Despite the fluctuations in overall average selling price per piece of our products during the Track Record Period, our Group was able to maintain our overall gross profit margin within a range of 16.1% to 18.4% during the Track Record Period.

Cost of sales

Our cost of sales primarily consists of cost of raw materials, change in inventories, cost of finished goods, direct labour costs, subcontracting charges, manufacturing overhead and depreciation and amortisation of leasehold land. The following table sets forth the breakdown of our cost of sales during the Track Record Period:

Cost of sales	Year ended 31 March					
	2016		2017		2018	
	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales	HK\$'000	% of total cost of sales
Cost of raw materials ¹	146,961	32.3	193,774	34.4	184,548	33.4
Change in inventories	–	–	3,804	0.7	(3,620)	(0.7)
Cost of finished goods	197,332	43.4	236,742	42.1	252,750	45.8
Direct labour costs	–	–	10,515	1.9	75,381	13.7
Subcontracting charges	110,039	24.3	116,069	20.6	21,988	4.0
Manufacturing overhead	–	–	1,283	0.2	13,559	2.5
Depreciation and amortisation of leasehold land	–	–	600	0.1	7,423	1.3
Total cost of sales	454,332	100.0	562,787	100.0	552,029	100.0

Note:

1. Cost of raw materials included write-down (reversal of write down) of inventories of approximately HK\$186,000, HK\$89,000 and (HK\$74,000), respectively, during the Track Record Period representing approximately 0.1%, 0.1% and 0.1% of our cost of raw materials.

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The following table sets forth our sales volumes and average cost of sales per piece by product categories during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>Average cost of sales per piece</i>		<i>Average cost of sales per piece</i>		<i>Average cost of sales per piece</i>	
	<i>Sales volume approximately</i>		<i>Sales volume approximately</i>		<i>Sales volume approximately</i>	
	<i>'000</i>	<i>HK\$</i>	<i>'000</i>	<i>HK\$</i>	<i>'000</i>	<i>HK\$</i>
Outerwear	441	357.2	566	349.8	672	273.0
Bottoms	1,721	111.5	2,538	95.0	2,782	84.7
Tops	364	95.2	178	153.7	264	120.1
Others	348	202.2	564	170.9	655	154.4
Total	2,874	158.1	3,846	146.3	4,373	126.2

The fluctuations in the average cost of sales per piece were generally in line with the fluctuations in the average selling price per piece. For further details of the fluctuations, please refer to the paragraph headed “Description of selected items in combined statements of profit or loss and other comprehensive income – Revenue by product categories” in this section.

Our Group acquired Zhi Wei in December 2016 and commenced our own production since then. Subsequent to the acquisition of Zhi Wei, our Group further acquired the Meegoda Factory and the Katunayake Factory in February 2017 and March 2017, respectively.

The said acquisitions constitute a change to our cost structure. During the Track Record Period, we paid subcontracting fees to factories (i.e. the Panyu Factory, the Meegoda Factory, the Katunayake Factory and other third party factories) for manufacturing services. Prior to the acquisitions, our Group’s cost of sales consisted primarily of (i) cost of raw materials; (ii) cost of finished goods; and (iii) subcontracting charges. After we commenced our own production, we became responsible for the entire cost of operations of the Three Factories. Therefore, after the said acquisitions, our Group’s cost of sales consisted primarily of (i) cost of raw materials; (ii) change in inventories; (iii) cost of finished goods; (iv) direct labour costs; (v) subcontracting charges; (vi) manufacturing overhead; and (vii) depreciation and amortisation of leasehold land. Thus, the fixed component of our cost of sales has gone up (i.e. direct labour cost, manufacturing overhead and depreciation), where as the variable component of the cost of sales has gone down (i.e. subcontracting charges) as a result of the acquisitions. However, the lower unit cost of production for in-house manufacturing compared to the unit cost of finished goods paid to third party factories and related party factories should negate the effect of a riskier profile associated with higher fixed costs.

Moreover, the said acquisition will not affect our margin since it depends heavily on our ability to maintain a certain percentage mark-up when we quote our selling price based on a cost-plus model.

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The following table sets forth the production volume and value, revenue, cost of sales, gross profit and gross profit margin by (i) the Three Factories; and (ii) the third party factories for the years indicated:

	Year ended 31 March					
	2016		2017		2018	
	The Three Factories <i>HK\$'000</i>	Third party factories <i>HK\$'000</i>	The Three Factories <i>HK\$'000</i>	Third party factories <i>HK\$'000</i>	The Three Factories <i>HK\$'000</i>	Third party factories <i>HK\$'000</i>
Production volume (<i>'000 pieces</i>)	1,190	1,684	1,784	2,062	1,554	2,819
Production value ¹	71,683	295,910	103,162	250,841	101,646	252,750
Revenue	236,052	320,061	338,775	332,180	336,994	339,862
Cost of sales	189,218	265,114	280,135	282,652	261,066	290,963
Gross profit	46,834	54,947	58,640	49,528	75,928	48,899
Gross profit margin (%)	19.8	17.2	17.3	14.9	22.5	14.4

Note:

- The production value represented the subcontracting charges our Group paid to the Three Factories and the third party factories.

Cost of raw materials

Cost of raw materials primarily consisted of various materials such as fabrics, linings and trims. During the Track Record Period, our cost of raw materials amounted to approximately HK\$147.0 million, HK\$193.8 million and HK\$184.5 million, respectively, representing approximately 32.3%, 34.4% and 33.4% of our cost of sales and approximately 26.4%, 28.9% and 27.3% of our revenue, respectively.

Change in inventories

Change in inventories primarily represented the change in inventories incurred after the acquisitions of Zhi Wei, the Meegoda Factory and the Katunayake Factory. Change in inventories amounted to approximately HK\$3.8 million for the year ended 31 March 2017, representing approximately 0.7% and 0.6% of our cost of sales and revenue, respectively. For the year ended 31 March 2018, our change in inventories amounted to approximately negative HK\$3.6 million, representing approximately 0.7% of our cost of sales and 0.5% of our revenue for the corresponding period.

Cost of finished goods

During the Track Record Period, the largest component of our cost of sales was cost of finished goods purchased from third party factories, which amounted to approximately HK\$197.3 million, HK\$236.7 million and HK\$252.8 million, respectively, representing

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approximately 43.4%, 42.1% and 45.8% of our cost of sales and approximately 35.5%, 35.3% and 37.3% of our revenue, respectively.

Direct labour costs

Direct labour costs represented salaries and other employee-related costs of our own manufacturing operations after the acquisitions of Zhi Wei, the Meegoda Factory and the Katunayake Factory. Direct labour costs depend on wage levels and the number of production workers employed. Direct labour costs amounted to approximately HK\$10.5 million for the year ended 31 March 2017, representing approximately 1.9% of our cost of sales and approximately 1.6% of our revenue. For the year ended 31 March 2018, our direct labour costs amounted to approximately HK\$75.4 million representing approximately 13.7% of our cost of sales and 11.1% of our revenue for the corresponding period.

Subcontracting charges

Subcontracting charges represented the charges paid and payable to the third-party or related manufacturers who provide CMP services to our Group. For the years ended 31 March 2016, 2017 and 2018, our subcontracting charges amounted to approximately HK\$110.0 million, HK\$116.1 million and HK\$22.0 million, which accounted for approximately 24.3%, 20.6% and 4.0% of our cost of sales, respectively, and approximately 19.8%, 17.3% and 3.3% of our revenue, respectively.

Manufacturing overhead

Our manufacturing overhead primarily consisted of rent, indirect labour including production supervisory personnel, consumables tools and utilities related to our manufacturing activities after the acquisitions of Zhi Wei, the Meegoda Factory and the Katunayake Factory. Our manufacturing overhead accounted for approximately 0.2% of our total cost of sales and approximately 0.2% of our revenue for the year ended 31 March 2017. For the year ended 31 March 2018, our manufacturing overhead amounted to approximately HK\$13.6 million, representing approximately 2.5% of our cost of sales and 2.0% of our revenue for the corresponding period.

Gross profit and gross profit margin

Gross profit margin represented our gross profit as a percentage of revenue. During the Track Record Period, our gross profit was HK\$101.8 million, HK\$108.2 million and HK\$124.8 million, respectively. Our overall gross profit margin decreased from 18.3% in the year ended 31 March 2016 to 16.1% in the year ended 31 March 2017 and then increased to 18.4% for the year ended 31 March 2018.

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The following table sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period:

Gross profit and gross profit margin by product categories	Year ended 31 March					
	2016		2017		2018	
	<i>Gross profit margin by</i>		<i>Gross profit margin by</i>		<i>Gross profit margin by</i>	
	<i>Gross profit HK\$'000</i>	<i>product %</i>	<i>Gross profit HK\$'000</i>	<i>product %</i>	<i>Gross profit HK\$'000</i>	<i>product %</i>
Outerwear	36,873	19.0	41,678	17.4	38,158	17.2
Bottoms	41,452	17.8	38,954	13.9	50,573	17.7
Tops	8,446	19.6	6,100	18.2	6,510	17.1
Others	15,010	17.6	21,436	18.2	29,586	22.6
Total gross profit and overall gross profit margin	<u>101,781</u>	<u>18.3</u>	<u>108,168</u>	<u>16.1</u>	<u>124,827</u>	<u>18.4</u>

The gross profit margin for outerwear decreased from approximately 19.0% for the year ended 31 March 2016 to approximately 17.4% for the year ended 31 March 2017 primarily as a result of lower gross profit margin in outerwear from our new customer, Customer G. The gross profit margin of outerwear remained relatively stable for the year ended 31 March 2018.

The gross profit margin for bottoms decreased from approximately 17.8% for the year ended 31 March 2016 to 13.9% for the year ended 31 March 2017 primarily due to school uniforms with a relatively lower gross profit margin from our new customer, Customer G. However, the gross profit margin for bottoms increased to approximately 17.7% for the year ended 31 March 2018 primarily due to an improved gross profit margin of the flight crew uniforms program from Customer G, which offset the relatively lower gross profit margin of school uniforms in the previous year.

The gross profit margin for tops decreased from approximately 19.6% for the year ended 31 March 2016 to 18.2% for the year ended 31 March 2017 and further decreased to 17.1% for the year ended 31 March 2018 primarily due to more sales orders from our new customer, Customer G with a relatively lower gross profit margin. Furthermore, the orders from Customer A with a relatively higher gross profit margin were reduced for the year ended 31 March 2018 which led to further decrease in gross profit margin of tops for the corresponding period.

Others included a variety of products whose profit margin may fluctuate from time to time. The gross profit margin for others remained relatively steady as a whole at approximately 17.6% and 18.2% for the years ended 31 March 2016 and 2017, respectively. However, the gross profit margin for others increased to approximately 22.6% for the year ended 31 March 2018 because of higher margin sales of Customer H and the flight crew uniforms from Customer G.

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Other revenue

Our other revenue primarily consisted of (i) imputed interest income; (ii) sample sales income; and (iii) claims income. During the Track Record Period, our other revenue amounted to approximately HK\$6.7 million, HK\$6.6 million and HK\$4.9 million, respectively. Our other revenue accounted for approximately 1.2%, 1.0% and 0.7% of our total revenue for the corresponding period.

The following table sets forth the breakdown of our other revenue during the Track Record Period:

Other revenue	Year ended 31 March					
	2016		2017		2018	
	HK\$'000	% of other income	HK\$'000	% of other income	HK\$'000	% of other income
Bank interest income	1	0.0	3	0.0	20	0.4
Imputed interest income from prepaid insurance premium	299	4.5	299	4.6	293	6.0
Sample sales income	5,818	86.6	4,989	76.1	4,048	83.0
Claims income	599	8.9	1,265	19.3	519	10.6
Total other revenue	<u>6,717</u>	<u>100.0</u>	<u>6,556</u>	<u>100.0</u>	<u>4,880</u>	<u>100.0</u>

Sample sales income

Sample sales income primarily represented the income we derived from our customers based on the samples provided. We generally charge a customer for samples if such samples do not lead to any sales order. Related costs of the sample making will be recorded as sample costs under selling and distribution costs.

Claims income

Claims income primarily represented income derived from our customers on the cost of raw materials as a result of order cancellation.

Other gains and losses, net

Our other gains and losses primarily consisted of reversal of accruals, reversal of/(impairment) loss on receivables, exchange (losses)/gains and gain on bargain purchase. We had other losses of approximately HK\$1.3 million, other gains of approximately HK\$10.5 million and HK\$1.6 million, representing approximately 0.2%, 1.6% and 0.2% of our total revenue for the years ended 31 March 2016, 2017 and 2018, respectively.

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The following table sets forth the breakdown of our other gains and losses during the Track Record Period:

Other gains and losses, net	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Impairment)/reversal of impairment loss recognised on other receivables	(111)	111	–
(Impairment)/reversal of impairment loss recognised on trade receivables	(1,257)	1,485	–
(Loss)/gain on disposal of property, plant and equipment	(1)	–	1
Gains on bargain purchase	–	8,619	–
Exchange gains, net	115	285	1,577
Total other gains and (losses)	(1,254)	10,500	1,578

Gains on bargain purchase

Gains on bargain purchase of approximately HK\$8.6 million represented the gain resulted from our Group's acquisition of the business from Chiefway Lanka at a consideration that is less than the fair value on 31 March 2017. For further details, please refer to the section headed "History, development and Reorganisation" in this prospectus.

Selling and distribution costs

Our selling and distribution costs primarily consisted of duty and freight, sample costs, trip expenses, and staff cost. The table below sets forth the breakdown of our selling and distribution costs during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	<i>% of total selling and distribution costs</i>	<i>HK\$'000</i>	<i>% of total selling and distribution costs</i>	<i>HK\$'000</i>	<i>% of total selling and distribution costs</i>
Duty and freight	3,725	12.1	5,445	12.6	5,000	11.6
Sample costs	7,187	23.3	6,690	15.4	6,854	15.9
Trip expenses	2,963	9.5	3,189	7.3	4,304	10.0
Staff cost	17,020	55.1	28,046	64.7	27,036	62.5
Total selling and distribution costs	30,895	100.0	43,370	100.0	43,194	100.0

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For the years ended 31 March 2016, 2017 and 2018, we had selling and distribution costs of approximately HK\$30.9 million, HK\$43.4 million and HK\$43.2 million, respectively. Selling and distribution costs accounted for approximately 5.6%, 6.5% and 6.4% of our revenue for the years ended 31 March 2016, 2017 and 2018, respectively.

The significant increase in staff cost is a result of expanding the merchandising department in line with increased sales from Customer G and H.

Sample costs represented the material costs associated with the samples provided to customers. Trip expenses represented business travel reimbursement from our Group to our employees. Staff cost primarily represented the salary and employee benefit expenses payable to our employees in the merchandising and technical department.

General and administrative expenses

Our general and administrative expenses primarily consisted of consulting fee, staff cost and depreciation and amortisation of leasehold land expenses except for those that were manufacturing related and accounted for under cost of sales. During the Track Record Period, our general and administrative expenses represented approximately 7.5%, 5.9% and 7.4% of our revenue, respectively. Our staff cost represented all salaries and benefits payable to employees in the general and administrative function, including our Directors except for the employee-related costs accounted for under direct labour costs and selling and distribution costs. The following table sets forth the breakdown of the key components of our general and administrative expenses during the Track Record Period:

General and administrative expenses	Year ended 31 March					
	2016		2017		2018	
	HK\$'000	% of total general and administrative expenses	HK\$'000	% of total general and administrative expenses	HK\$'000	% of total general and administrative expenses
Audit fee	193	0.5	250	0.6	485	1.0
Depreciation and amortisation of leasehold land	7,713	18.4	7,959	20.2	4,443	8.8
Consulting fee ¹	2,110	5.0	–	–	–	–
Legal and professional fees	411	1.0	544	1.4	506	1.0
Staff cost	25,457	60.7	23,925	60.7	32,705	65.0
Others ²	6,039	14.4	6,714	17.1	12,144	24.2
Total general and administrative expenses	41,923	100.0	39,392	100.0	50,283	100.0

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Notes:

1. Consulting fee represented the fee paid to C.F.L. Enterprise for the provision of accounting, human resources, and information technology support. After 1 April 2016, our Group had not required any further consulting service from C.F.L. Enterprise. Our Directors confirm that as at the Latest Practicable Date, our Group has not engaged and has no plan to engage C.F.L. Enterprise for any consulting services.
2. Others included bank charges, claims expenses, insurance, motor vehicle expenses, printing, stationery, and other miscellaneous expenses.

Finance costs

Our finance costs primarily represented interest expenses arising from the trust receipt loans for the purchase of raw material and term and revolving loans. The term loans were primarily related to the acquisition of the Three Factories. During the Track Record Period, we had finance costs of approximately HK\$2.8 million, HK\$3.9 million and HK\$5.9 million, respectively.

Income tax expenses

Income tax expenses primarily consisted of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Hong Kong, PRC, Sri Lanka, and other jurisdictions including Cayman Islands.

Under the rules and regulations of Cayman Islands, we are not subject to any income tax in Cayman Islands.

Hong Kong profits tax has been provided for at the rate of 16.5% during the Track Record Period, which is based on the estimated assessable profits arising in or derived from Hong Kong. Taxation on overseas profit has been calculated based on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which our Group operates.

The apparel manufacturing business in Sri Lanka is subject to corporate income tax at the rate of 28%. According to our Group's legal advisers as to Sri Lanka law, our operating subsidiaries in Sri Lanka were subjected to a special rate of 12% for apparel exports to foreign principals during the Track Record Period.

Our subsidiary in PRC was subject to statutory enterprise income tax at the rate of 25% during the Track Record Period.

During the Track Record Period, our Group's overall effective tax rate, calculated by dividing income tax expense with profit before income tax, was approximately 17.2%, 13.6% and 22.6%, respectively. Our Group's overall effective tax rates decreased from approximately 17.2% to approximately 13.6% for the year ended 31 March 2017 primarily as a result of the combined effect of (i) the decrease in assessable profits of our Hong Kong subsidiaries for the year ended 31 March 2017; and (ii) the increase in over provision of income tax in prior years resulting in a reversal of the over provision for the year ended 31 March 2017. The effective tax

FINANCIAL INFORMATION

rates then increased to approximately 22.6% for the year ended 31 March 2018 primarily as a result of the income tax expense of approximately HK\$2.8 million arising from expenses not deductible for tax purposes.

Our Directors confirm that our Group had paid all relevant taxes that were due and was not subject to any disputes or tax issues during the Track Record Period.

The following table sets forth a breakdown of our current and deferred tax expenses during the Track Record Period:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	5,444	4,068	7,351
Overseas profits tax	–	601	(204)
Deferred tax	3	246	(1,312)
	<u>5,447</u>	<u>4,915</u>	<u>5,835</u>
Total income tax expense	<u><u>5,447</u></u>	<u><u>4,915</u></u>	<u><u>5,835</u></u>

PERIOD TO PERIOD COMPARISON OF RESULT OF OPERATION

Year ended 31 March 2018 as compared to 31 March 2017

Revenue

Our Group's revenue increased by approximately HK\$5.9 million or 0.9% from approximately HK\$671.0 million for the year ended 31 March 2017 to approximately HK\$676.9 million for the year ended 31 March 2018. The increase was primarily due to the increase in sales volume of our products by approximately 0.6 million pieces or 15.8% from approximately 3.8 million pieces for the year ended 31 March 2017 to 4.4 million pieces for the year ended 31 March 2018. The effect was partially offset by the decrease in average selling price per piece of our products by approximately HK\$19.7 or 11.3% from approximately HK\$174.5 for the year ended 31 March 2017 to approximately HK\$154.8 for the year ended 31 March 2018.

Cost of sales

Our Group's costs of sales decreased by approximately HK\$10.8 million or 1.9% from approximately HK\$562.8 million for the year ended 31 March 2017 to approximately HK\$552.0 million for the year ended 31 March 2018. The decrease was largely a result of the in-house production costs (direct labour, manufacturing overheads and depreciation and amortisation of leasehold land expenses) being lower than the subcontracting charges that would have been payable to the Three Factories before acquisition.

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Gross profit and gross profit margin

Due to the increase of our revenue and the decrease of cost of sales, our Group's gross profit increased by approximately HK\$16.6 million or 15.3% from approximately HK\$108.2 million for the year ended 31 March 2017 to approximately HK\$124.8 million for the year ended 31 March 2018. Our gross profit margin increased from approximately 16.1% to approximately 18.4% for the corresponding period, primarily as a result of the acquisitions of the Three Factories.

Other revenue

Our other revenue decreased by approximately HK\$1.7 million or 25.8% from approximately HK\$6.6 million for the year ended 31 March 2017 to approximately HK\$4.9 million for the year ended 31 March 2018. The decrease was primarily due to the combined effect of (i) the decrease in sample sales income of approximately HK\$0.9 million and (ii) the decrease in claims income by approximately HK\$0.8 million.

Other gains and losses

Other gains of approximately HK\$10.5 million and HK\$1.6 million were recorded for the years ended 31 March 2017 and 2018, respectively. The larger gain in 2017 was a result of the gain on bargain purchase from our Group's acquisition of the business from Chiefway Lanka on 31 March 2017 at a consideration less than the fair value by approximately HK\$8.6 million.

Selling and distribution costs

Our selling and distribution costs remained relatively stable at approximately HK\$43.2 million for the year ended 31 March 2018 as compared to approximately HK\$43.4 million for the year ended 31 March 2017.

General and administrative expenses

Our general and administrative expenses increased by approximately HK\$10.9 million or 27.7% from approximately HK\$39.4 million for the year ended 31 March 2017 to approximately HK\$50.3 million for the year ended 31 March 2018 largely because of the increase in staff cost of approximately HK\$8.8 million or 36.7% as a result of the operation of the Three Factories.

Listing expenses

Our listing expenses were approximately HK\$6.1 million for the year ended 31 March 2018, whereas the listing expenses of approximately HK\$2.6 million were incurred for the year ended 31 March 2017.

Finance costs

Our finance costs increased by approximately HK\$2.0 million or 51.3% from approximately HK\$3.9 million for the year ended 31 March 2017 to approximately HK\$5.9 million for the year ended 31 March 2018. The increase was primarily due to the increase in borrowings of approximately HK\$48.2 million or 32.3% from approximately HK\$149.0 million as at 31 March 2017 to HK\$197.2 million as at 31 March 2018.

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Income tax expenses

Our income tax expenses increased by approximately HK\$0.9 million or 18.4% from approximately HK\$4.9 million for the year ended 31 March 2017 to approximately HK\$5.8 million for the year ended 31 March 2018, although our profit before income tax for the year ended 31 March 2017 decreased by approximately 28.3% as compared to that for the year ended 31 March 2018. Please refer to the paragraph headed “Description of selected items in combined statements of profit or loss and other comprehensive income – Income tax expenses” in this section for details.

Profit and total comprehensive income for the year

As a result of the foregoing, our Group’s profit and total comprehensive income for the year ended 31 March 2018 was approximately HK\$19.9 million, representing a decrease of approximately HK\$11.2 million or 36.0% as compared to the year ended 31 March 2017.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our Group’s revenue increased by approximately HK\$114.9 million or 20.7% from approximately HK\$556.1 million for the year ended 31 March 2016 to approximately HK\$671.0 million for the year ended 31 March 2017. The increase was primarily due to the increase in sales volume of our products by approximately 0.9 million pieces or 31.0% from approximately 2.9 million pieces for the year ended 31 March 2016 to 3.8 million pieces for the year ended 31 March 2017. The effect was partially offset by the decrease in average selling price per piece of our products by approximately HK\$19.0 or 9.8% from approximately HK\$193.5 for the year ended 31 March 2016 to approximately HK\$174.5 for the year ended 31 March 2017.

Cost of sales

Our Group’s costs of sales increased by approximately HK\$108.5 million or 23.9% from approximately HK\$454.3 million for the year ended 31 March 2016 to approximately HK\$562.8 million for the year ended 31 March 2017. Our Group generally adopted a cost-plus model in pricing our products. For further details, please refer to the section headed “Business – pricing strategy” in this prospectus. The increase was primarily due to the increase in sales volume of our products by approximately 0.9 million pieces or 31.0% from approximately 2.9 million pieces for the year ended 31 March 2016 to 3.8 million pieces for the year ended 31 March 2017. The increase was also in line with the increase in revenue for the corresponding period.

Gross profit and gross profit margin

Due to the increase of our revenue, our Group’s gross profit increased by approximately HK\$6.4 million or 6.3% from approximately HK\$101.8 million for the year ended 31 March 2016 to approximately HK\$108.2 million for the year ended 31 March 2017. Our gross profit

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margin decreased from approximately 18.3% to approximately 16.1% for the corresponding period. The decrease in gross profit margin was mainly attributable to the combined effect of the decrease in gross profit margin for outerwear, bottoms and tops which was offset by the increase in gross profit margin for others.

Other revenue

Our other revenue remained steady at approximately HK\$6.7 million and HK\$6.6 million, respectively, for the years ended 31 March 2016 and 2017.

Other gains and losses

Other losses and other gains of approximately HK\$1.3 million and HK\$10.5 million were recorded for the years ended 31 March 2016 and 2017, respectively. The aforesaid improvement was mainly attributable to the combined effect of (i) the gain on bargain purchase resulted from our Group's acquisition of the business from Chiefway Lanka at a consideration that was less than the fair value of approximately HK\$8.6 million on 31 March 2017; and (ii) the reversal of impairment on trade receivables of approximately HK\$1.5 million as a result of the subsequent settlement of the said amount for the corresponding period.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK\$12.5 million or 40.5% from approximately HK\$30.9 million for the year ended 31 March 2016 to approximately HK\$43.4 million for the year ended 31 March 2017. The increase was mainly attributable to the combined effect of (i) the increase in staff cost of approximately HK\$11.0 million or 64.7% primarily due to the cost associated with additional newly recruited merchandising staff to cope with the addition of new Customer G; and (ii) the increase in duty and freight of approximately HK\$1.7 million or 45.9% primarily due to the increase in sales volume of our products.

General and administrative expenses

Our general and administrative expenses remained steady at approximately HK\$41.9 million and HK\$39.4 million for the years ended 31 March 2016 and 2017.

Listing expenses

Our listing expenses were approximately HK\$2.6 million for the year ended 31 March 2017. No listing expenses were incurred for the year ended 31 March 2016.

Finance costs

Our finance costs increased by approximately HK\$1.1 million or 39.3% from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$3.9 million for the year ended 31 March 2017. The increase was primarily due to the increase in borrowings of approximately HK\$79.5 million or 114.4% from approximately HK\$69.5 million as at 31 March 2016 to HK\$149.0 million as at 31 March 2017.

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Income tax expenses

Our income tax expenses decreased by approximately HK\$0.5 million or 9.3% from approximately HK\$5.4 million for the year ended 31 March 2016 to approximately HK\$4.9 million for the year ended 31 March 2017. The aforesaid decrease was mainly attributable to the combined effect of (i) the decrease in assessable profits of our Hong Kong subsidiaries for the year ended 31 March 2017; and (ii) the increase in over provision of income tax in prior years during the year ended 31 March 2017.

Profit and total comprehensive income for the year

As a result of the foregoing, our Group's profit and total comprehensive income for the year ended 31 March 2017 was approximately HK\$31.1 million, representing an increase of approximately HK\$4.9 million or 18.7% as compared to the year ended 31 March 2016.

COMBINED STATEMENTS OF FINANCIAL POSITION

The following table summarises the selected items in the combined statements of financial position during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Prepaid insurance premium	7,816	7,895	7,966
Property, plant and equipment	69,646	61,560	59,864
Prepayment for leasehold land	–	16,275	–
Payment for leasehold land held for own use under operating lease	55,441	6,642	23,907
Deferred tax assets	–	–	15
Goodwill	3,633	16,792	16,792
	<hr/>	<hr/>	<hr/>
Total non-current assets	136,536	109,164	108,544

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	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Current assets			
Inventories	35,266	35,432	39,742
Trade and other receivables	53,521	96,981	143,676
Amounts due from related parties	13,471	24,209	4,272
Tax recoverable	6,742	6,588	1,720
Cash and cash equivalents	27,477	47,140	66,536
Assets classified as held for sale	–	92,670	–
Total current assets	<u>136,477</u>	<u>303,020</u>	<u>255,946</u>
Total assets	<u>273,013</u>	<u>412,184</u>	<u>364,490</u>
Current liabilities			
Trade, bills and other payables	65,648	93,236	84,486
Amounts due to shareholders	95,501	99,501	8,428
Amounts due to related parties	5,855	–	1,049
Borrowings	69,514	149,045	197,176
Income tax payable	–	561	2,565
Total current liabilities	<u>236,518</u>	<u>342,343</u>	<u>293,704</u>
Net current liabilities	<u>(100,041)</u>	<u>(39,323)</u>	<u>(37,758)</u>
Non-current liabilities			
Defined benefit obligation	–	1,999	2,252
Deferred tax liabilities	1,051	1,297	–
Total non-current liabilities	<u>1,051</u>	<u>3,296</u>	<u>2,252</u>
Net assets	<u><u>35,444</u></u>	<u><u>66,545</u></u>	<u><u>68,534</u></u>
Capital and reserves attributable to owners of the Company:			
Share capital	–	–	–*
Reserves	<u>35,444</u>	<u>66,545</u>	<u>68,534</u>
Total equity	<u><u>35,444</u></u>	<u><u>66,545</u></u>	<u><u>68,534</u></u>

* Represents amount less than HK\$1,000

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DESCRIPTION ON MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily consisted of land and buildings, leasehold improvements, and plant and machineries. As at 31 March 2016, 2017 and 2018, our property, plant and equipment amounted to approximately HK\$69.6 million, HK\$61.6 million and HK\$59.9 million, respectively. The decrease in property, plant and equipment from 31 March 2016 to 31 March 2017 was primarily due to (i) the depreciation for the year; and (ii) the reclassification of property, plant and equipment to assets held for sale with net carrying amount of approximately HK\$45.3 million. The decrease was partially offset by our Group's acquisitions of property, plant and equipment of the Panyu Factory, the Meegoda Factory and the Katunayake Factory, with a net carrying amount of approximately HK\$43.2 million. For further details, please refer to the section headed "History, development and Reorganisation" in this prospectus. The further decrease in property, plant and equipment from 31 March 2017 to 31 March 2018 was primarily due to depreciation during the year.

Payment for leasehold land held for own use under operating lease

Payment for leasehold land held for our own use under operating leases primarily consisted the carrying amount of leasehold land for the Win 18 Premises, Win 19 Premises, Win 20 Premises, and the warehouse of Chiefway International. As at 31 March 2016, 2017 and 2018, our payment for leasehold land held for own use under operating leases amounted to approximately HK\$55.4 million, HK\$6.6 million and HK\$23.9 million, respectively. The payment for leasehold land held for own use under operating lease decreased from HK\$55.4 million to HK\$6.6 million primarily as a result of reclassification of payment for leasehold land held for our own use under operating leases of approximately HK\$47.4 million to assets classified as held for sale as at 31 March 2017 as described under the paragraph "Assets classified as held for sale" below. The balance then increased to approximately HK\$23.9 million as at 31 March 2018 primarily due to the completion of the transfer of the leasehold land of approximately HK\$16.3 million during the year, whereas the said amount was recorded as prepayment for leasehold land as at 31 March 2017.

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The following table sets forth the breakdown of our payment for leasehold land held for our own use under operating leases as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	56,890	55,441	6,642
Transferred from prepayment for leasehold land	–	–	16,275
Addition	–	–	1,560
Classified as assets held for sale	–	(47,350)	–
Amortised during the year	(1,449)	(1,449)	(570)
	<u>55,441</u>	<u>6,642</u>	<u>23,907</u>
At the end of the year	<u>55,441</u>	<u>6,642</u>	<u>23,907</u>

Prepayment for leasehold land

Our prepayment for leasehold land represented the carrying amount of the title of the leasehold land pursuant to the assets purchase agreement entered into by our Group with Chiefway Lanka. The title of the said leasehold land had not been transferred as of 31 March 2017 and therefore the carrying amount had been recorded as prepayment for leasehold land of approximately HK\$16.3 million as at 31 March 2017. The transfer of the leasehold land was subsequently completed on 1 April 2017 and the balance decreased to nil as at 31 March 2018.

Goodwill

As at 31 March 2016, 2017 and 2018, we recorded goodwill of approximately HK\$3.6 million, HK\$16.8 million and HK\$16.8 million, respectively. The increase in our goodwill was due to the acquisition of Zhi Wei and Chiefway (PVT) in early 2017.

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit (“CGU”) representing Zhi Wei and Chiefway (PVT). The recoverable amount of CGU has been calculated based on its value in use. The calculation uses cash flow projections based on financial projections approved by our management covering a five-year period with a pre-tax discount rate ranging from 14% to 19%, respectively, a steady gross margin of 19% and a steady growth rate of 5%.

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The following sensitivity analysis demonstrates the effect of reasonably possible variations in each of the key underlying assumptions on the recoverable amount of CGU as at 31 March 2016, 2017 and 2018:

	(Decrease)/increase on recoverable amount		
	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Budgeted gross margin rate			
– decrease by 1%	(66,707)	(68,655)	(45,180)
– increase by 1%	66,707	68,655	45,180
Average revenue growth rate			
– decrease by 5%	(60,036)	(35,132)	(31,407)
– increase by 5%	60,036	35,132	31,407
Growth rate			
– decrease by 5%	(103,733)	(133,612)	(54,497)
– increase by 5%	103,733	133,612	54,497
Pre-tax discount rate			
– increase by 1%	(40,463)	(51,339)	(22,381)
– decrease by 1%	40,463	51,339	22,381

In accordance with HKAS 36.134(f), there is no reasonable possible change in key assumptions that will cause the carrying amount to exceed the recoverable amount as at 31 March 2016, 2017 and 2018.

For further details of our accounting policies for goodwill and their impairment and the estimates and assumptions involved therein, please refer to “Note 4 – Significant accounting policies”, “Note 5 – Critical accounting judgement and key sources of estimation uncertainty” and “Note 20 – Goodwill” in Appendix I to this prospectus.

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Assets classified as held for sale

The following table sets forth the breakdown of our assets classified as held for sale as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	–	45,320	–
Payment for leasehold land held for own use under operating lease	–	47,350	–
	<hr/>	<hr/>	<hr/>
Total assets classified as held for sale	<u>–</u>	<u>92,670</u>	<u>–</u>

In May 2017, our Group entered into a sale and purchase agreement with each of Win 18, Win 19 and Win 20 for the sale of Sterling Apparel's Win 18 Premises, Win 19 Premises, and Win 20 Premises as consideration to set off part of the outstanding amounts due to shareholders as at 31 March 2017. Our assets classified as held for sale primarily consisted of amount reclassified from property, plant and equipment as described above of approximately HK\$45.3 million as at 31 March 2017 and amount reclassified from payment for leasehold land held for own use under operating lease of approximately HK\$47.4 million as at 31 March 2017. There was no gain or loss arising from the classification of non-current assets as held for sales. As the consideration was settled in May 2017, the balance decreased to nil as at 31 March 2018. For further details, please refer to the section headed "History, development and Reorganisation" in this prospectus.

Prepaid insurance premium

Our prepaid insurance premium primarily consisted of upfront payment of a single premium charge for the key person life insurance policy for Ms. Alice Wong for the benefit of our Group. As at 31 March 2016, 2017 and 2018, our prepaid insurance premium remained steady at approximately HK\$7.8 million, HK\$7.9 million and HK\$8.0 million, respectively.

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Inventories

The following table sets forth breakdown of our inventories as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables	35,266	34,294	35,039
Work-in-progress	–	1,121	1,965
Finished goods	–	17	2,738
	<hr/>	<hr/>	<hr/>
Total inventories	<u>35,266</u>	<u>35,432</u>	<u>39,742</u>

Our inventories consisted of raw materials and consumables, work-in-progress, and finished goods. Raw materials and consumables primarily consisted of the cost of fabrics and trims. Work-in-progress primarily represented semi-finished products currently under production in our Group's production facilities. Finished goods primarily represented apparel products in the process of being delivered or ready to be delivered to our clients. Since we only purchase finished goods or raw materials against confirmed purchase orders from our customers, we did not retain a high-level of inventory during the Track Record Period.

As at 31 March 2016, 2017 and 2018, our inventories amounted to approximately HK\$35.3 million, HK\$35.4 million and HK\$39.7 million, respectively. Our inventories as at 31 March 2016 and 2017 remained relatively stable. The slight increase in inventories from 31 March 2017 to 31 March 2018 was primarily due to the increase in the inventories of work-in-progress and finished goods after the acquisitions of the Three Factories. Up to 31 July 2018, approximately HK\$35.8 million or approximately 89.4% of our inventories as at 31 March 2018 has been subsequently utilised and/or sold.

The following table sets out our average inventory and inventory turnover days during the Track Record Period:

	As at/Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Average inventory ¹	24,976	35,349	37,587
Average inventory turnover days ²	20.1 days	22.9 days	24.9 days

Notes:

1. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year, divided by two.
2. Average inventory turnover days are calculated by dividing average inventory by cost of sales of the relevant year, multiplying the resulting value by 365 days for the years ended 31 March 2016, 2017 and 2018.

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Our inventory turnover days were approximately 20.1 days, 22.9 days and 24.9 days for the years ended 31 March 2016, 2017 and 2018, respectively. The increase in inventory turnover days from 20.1 days for the year ended 31 March 2016 to 22.9 days for the year ended 31 March 2017 was primarily due to the relatively lower inventory balance as at 31 March 2015 at approximately HK\$14.7 million and the inventory balance remaining stable at approximately HK\$35.3 million and HK\$35.4 million as at 31 March 2016 and 2017, respectively. The increase in inventory turnover days from 22.9 days for the year ended 31 March 2017 to 24.9 days for the year ended 31 March 2018 was a result of the relatively larger inventory balance as at 31 March 2018 because of the work-in-progress and finished goods inventories after the acquisitions of the Three Factories.

We generally place purchase orders for raw materials after our customers have confirmed their orders and have specified the types of fabrics and trims to be used for their apparel products. An inventory record is kept to facilitate storage and retrieval of raw materials. Our procurement team monitors the supply and delivery of raw materials to ensure there is a sufficient supply of raw materials for production.

The following table sets out the ageing analysis of our inventories as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	18,867	22,773	22,665
31–90 days	14,297	10,938	11,544
91–365 days	1,995	1,471	4,557
Over 365 days	371	603	1,255
<i>Less:</i>			
Provision	(264)	(353)	(279)
	<u>35,266</u>	<u>35,432</u>	<u>39,742</u>

Our Group closely reviews our inventory record and any slow moving items on an ongoing basis. We makes provision for inventories based on an assessment of the net realisable value of inventories. For the years ended 31 March 2016, 2017 and 2018, our Group made provision for inventories amounting to approximately HK\$264,000, HK\$353,000 and HK\$279,000, respectively. The provisions for the years ended 31 March 2016 and 2017 were proven to be recoverable subsequently and the said provisions were reversed in full during the year ended 31 March 2017 and 2018, respectively. Based on the past record, as at the Latest Practicable Date, our Directors do not expect any obsolete inventory.

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Trade and other receivables

The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	44,357	78,184	122,953
Prepayments	390	980	1,616
Deferred listing expenses	–	854	3,073
Other receivables	8,257	15,295	14,223
Utilities and sundry deposits	517	1,668	1,811
	<u>53,521</u>	<u>96,981</u>	<u>143,676</u>
Total trade and other receivables	<u>53,521</u>	<u>96,981</u>	<u>143,676</u>

Our trade receivables were primarily related to the sales of apparel products to our customers and consisted of the outstanding amounts receivable from our customers. As at 31 March 2016, 2017 and 2018, our trade receivables amounted to approximately HK\$44.4 million, HK\$78.2 million and HK\$123.0 million, respectively. The increase in trade receivables from 31 March 2016 to 31 March 2017 was primarily due to the increase in revenue from Customer G for the year ended 31 March 2017. The trade receivables then increased to approximately HK\$123.0 million as at 31 March 2018 primarily due to shipments to new Customers G and H in the two months before 31 March 2018.

The following table sets out our average trade receivables and trade receivable turnover days during the Track Record Period:

	As at/Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Average trade receivables ¹	43,758	61,271	100,569
Average trade receivable turnover days ²	28.7 days	33.3 days	54.2 days

Notes:

1. Average trade receivables equal trade receivables at the beginning of the year plus trade receivables at the end of the year, divided by two.
2. Average trade receivable turnover days are calculated by dividing average trade receivables by revenue of the relevant year, multiplying the resulting value by 365 days for the years ended 31 March 2016, 2017 and 2018.

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During the Track Record Period, we generally grant our customers credit periods ranging from zero to 90 days, predominantly 60 days. Our average trade receivable turnover days were approximately 28.7 days, 33.3 days and 54.2 days for the years ended 31 March 2016, 2017 and 2018, respectively. The much lower turnover days such as approximately 28.7 days and 33.3 days for the years ended 31 March 2016 and 2017 was a result of non-recourse export discount facility offered by Customer A. The increase in our trade receivables turnover days from approximately 28.7 days for the year ended 31 March 2016 to approximately 33.3 days for the year ended 31 March 2017 was primarily due to the increase in our average trade receivables for the year ended 31 March 2017 because of the trade receivables of Customer G as at 31 March 2017. The increase in our trade receivable turnover days to approximately 54.2 days for the year ended 31 March 2018 was primarily due to the increase in our average trade receivables for the year ended 31 March 2018 because of the relatively larger trade receivables balance as at 31 March 2018 as described earlier.

The following table sets out the ageing analysis of our trade receivables, net of impairment loss based on the payment due date as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired			
Less than one month past due	4,149	10,951	17,086
One to three months past due	2,207	5,114	3,386
More than three months but less than twelve months past due	866	6,422	2,889
Over twelve months past due	619	78	41
	7,841	22,565	23,402
Current	36,516	55,619	99,551
	44,357	78,184	122,953

Our Group closely reviews our trade receivables and any overdue balances on an ongoing basis. We estimate the impairment loss based on estimated irrecoverable amounts. We review the collectability of our trade receivables on a case-by-case basis to determine if any impairment for trade receivables is necessary. For the years ended 31 March 2016, 2017 and 2018, our Group incurred impairment losses in relation to trade and other receivables amounting to approximately HK\$1.5 million, nil and nil, respectively. The impairment losses for the years ended 31 March 2016 were proven to be recoverable subsequently and the said impairment was reversed in full during the year ended 31 March 2017. Up to 31 July 2018, approximately HK\$114.4 million or 93.0% of our trade receivables outstanding as at 31 March 2018 has been subsequently settled. Based on the past credit record of our customers, as at the Latest Practicable Date, our Directors do not expect any collectability issue.

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Deferred listing expenses primarily represented the listing expenses incurred by our Group that are to be capitalised upon Listing. As at 31 March 2017 and 2018, deferred listing expenses amounted to approximately HK\$0.9 million and HK\$3.1 million, respectively.

Other receivables primarily represented trade deposits to our suppliers for raw materials. As at 31 March 2016, 2017 and 2018, other receivables amounted to approximately HK\$8.3 million, HK\$15.3 million and HK\$14.2 million, respectively. The increase in other receivables from 31 March 2016 to 31 March 2017 was primarily due to the increase in trade deposit required by our Group's suppliers for the raw materials. The increase was in line with our Group's increase in sales volume for the corresponding periods. Other receivables remained relatively stable as at 31 March 2017 and 2018. Up to 31 July 2018, approximately HK\$11.4 million or 80.3% of our other receivables outstanding as at 31 March 2018 has been subsequently settled.

Tax recoverable

Tax recoverable primarily represented advance payments made to tax authorities in Hong Kong. The amounts of tax recoverable remained steady from 31 March 2016 to 31 March 2017. The amount decreased to approximately HK\$1.7 million as at 31 March 2018 primarily due to the combined effect of (i) a tax refund of HK\$3.1 million received by Chiefway International which is entitled to a 50% deduction from its assessable profit as a result of the contract processing trade it has carried on with Zhi Wei and (ii) the decrease in assessable profits of certain subsidiaries for the corresponding period.

Trade, bills and other payables

The following table sets out the breakdown of trade, bills and other payables as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	32,422	51,187	28,023
Bills payables	25,936	28,458	41,121
Other payables and accruals	7,290	13,591	15,342
	65,648	93,236	84,486
	65,648	93,236	84,486

As at 31 March 2016, 2017 and 2018, our trade, bills and other payables amounted to approximately HK\$65.6 million, HK\$93.2 million and HK\$84.5 million, respectively. The increase in trade, bills and other payables from 31 March 2016 to 31 March 2017 was primarily due to the increase in purchase of raw materials in line with the large flight crew uniforms program shipping in the second half of 2017. The decrease in trade, bills and other payables from 31 March 2017 to 31 March 2018 was primarily due to the use of letter of credit and trust

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receipt loans in financing our material purchase. This was in line with a relatively large balance of bank borrowings as at 31 March 2018. Our payables and accruals primarily represented payables in relation to the operating expenses incurred in the normal course of business.

The following table sets out our average trade payables and trade payable turnover days during the Track Record Period:

	As at/Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Average trade payables ¹	39,979	41,805	39,605
Average trade payable turnover days ²	32.1 days	27.1 days	26.2 days

Notes:

1. Average trade payables equal trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.
2. Average trade payable turnover days are calculated by dividing average trade payables by cost of sales for the relevant year, multiplying the resulting value by 365 days for the years ended 31 March 2016, 2017 and 2018.

During the Track Record Period, our suppliers granted us credit terms generally ranging from zero to 90 days. Our average trade payable turnover days were approximately 32.1 days, 27.1 days and 26.2 days, respectively. Such decreasing trend from the year ended 31 March 2016 to the year ended 31 March 2017 was primarily due to (i) our Group's increasing utilisation of trust receipt loans in financing our trade payables resulting in relatively stable average trade payables; and (ii) increasing cost of sales in line with our revenue growth during the corresponding period. The average trade payable turnover days decreased to approximately 26.2 days for the year ended 31 March 2018 primarily because of the relatively smaller trade payables balance as at 31 March 2018 as described earlier.

The following table sets out the ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	30,254	47,005	13,713
31–90 days	1,720	3,596	13,186
91–365 days	9	392	567
Over 365 days	439	194	557
	32,422	51,187	28,023

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Up to 31 July 2018, approximately HK\$28.0 million or approximately 100.0% of our trade payables outstanding as at 31 March 2018 has been subsequently settled.

Amounts due to shareholders

Our amounts due to shareholders represented our Group's non-trade in nature, unsecured, interest free and repayable on demand advances from Mr. CW Siu and Rainbow Galaxy.

The amounts due to shareholders remained relatively stable at approximately HK\$95.5 million and HK\$99.5 million, respectively, as at 31 March 2016 and 2017. The movements represented repayments to and new advance from our shareholders in the normal course of business. The amount due to shareholder decreased from approximately HK\$99.5 million as at 31 March 2017 to approximately HK\$8.4 million as at 31 March 2018 primarily due to (i) all of the outstanding balances of the amounts due to shareholders as at 31 March 2017 have been settled in June 2017, and (ii) the outstanding balance of the amounts due to shareholders as at 31 March 2018 mainly represented the dividends payable to our shareholders. In April 2017, a dividend of HK\$18.0 million was declared, of which HK\$9.0 million was paid before the year end as at 31 March 2018. The remaining amount of HK\$9.0 million was settled as at the Latest Practicable Date.

Amounts due from/to related parties

Our amounts due from/to Zhi Wei and C.F.L. Enterprise represented temporary advances from/to them, which were trade in nature, unsecured, interest free and repayable on demand for their financing needs.

The amounts due from Zhi Wei represented temporary advances based on the processing contractual arrangement, which were trade in nature, unsecured and interest free. As advised by our PRC Legal Advisor, given that the amounts were derived from the processing trade, the advances provided to Zhi Wei were not in violation of the restrictions on inter-company loans in the PRC.

Except for the aforesaid, all other amounts due from/to related parties represented temporary advances from/to related parties, which were non-trade in nature, unsecured, interest free and repayable on demand for their financing needs.

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The following table sets out the breakdown of our amounts due from/to related parties as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from related parties			
Zhi Wei	13,471	–	–
Chiefway Group Limited	–	16,743	–
C.F.L. Enterprise	–	–	–
Mr. William Choi	–	3,733	–
Mr. KS Wong	–	3,733	–
Winfield	–	–	200
Win 18	–	–	23
Win 19	–	–	22
Win 20	–	–	23
Chiefway Lanka	–	–	4,004
	<u>13,471</u>	<u>24,209</u>	<u>4,272</u>
Amounts due to related parties			
Chiefway Group Limited	4,283	–	1,049
C.F.L. Enterprise	1,572	–	–
	<u>5,855</u>	<u>–</u>	<u>1,049</u>

Amounts due from related parties amounted to approximately HK\$13.5 million, HK\$24.2 million and HK\$4.3 million, respectively, as at 31 March 2016, 2017 and 2018. The increase from 31 March 2016 to 31 March 2017 was primarily due to the increase in advances to Chiefway Group Limited, Mr. William Choi and Mr. KS Wong of approximately HK\$24.2 million. The decrease from 31 March 2017 to 31 March 2018 was because of subsequent settlement from related parties. There was an increase in advances to Chiefway Lanka and Winfield of approximately HK\$4.3 million incurred during the ordinary course of business. All of the outstanding balances of the amounts due from related parties will be settled prior to the Listing.

Amounts due to related parties amounted to approximately HK\$5.9 million, nil and HK\$1.0 million, respectively, as at 31 March 2016, 2017 and 2018. The decrease in amounts due to related parties from 31 March 2016 to 31 March 2017 was a result of the settlement of all of the remaining balances. The balance as at 31 March 2018 primarily represented our Group's unsettled advances from Chiefway Group Limited during the ordinary course of business. All of the outstanding balances of the amounts due to related parties will be settled prior to the Listing.

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For illustration purpose only, the following table sets forth a notional amount of interest costs that should charge to our Group in connection with the non-interest bearing advances from our shareholders and related parties during the Track Record Period:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Average amount due to shareholders ¹	95,833	95,833	8,292
Average amount due to related parties ¹	<u>2,812</u>	<u>1,918</u>	<u>1,049</u>
	98,645	97,751	9,341
Notional interest rate ²	<u>1.95%</u>	<u>2.15%</u>	<u>3.20%</u>
Notional amount of interest costs	<u>1,924</u>	<u>2,102</u>	<u>299</u>

Notes:

- (1) Average amount due to shareholders/related parties refers to the average month-end balances during the corresponding years.
- (2) Notional interest rates refer to the average effective interest rates of our borrowing during the corresponding years. For further details of the effective interest rates, please refer to the section headed "Accountants' Report – Notes to the Financial Information – Note 29. Bank Borrowings" in Appendix I to this prospectus.

Borrowings

The following table sets out the breakdown of our borrowings by type and by currency as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured – Trust receipt loans	21,639	52,456	90,943
– Term and revolving loans	<u>47,875</u>	<u>96,589</u>	<u>106,233</u>
Total borrowings	<u>69,514</u>	<u>149,045</u>	<u>197,176</u>

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	<i>HK\$'000 equivalent</i>	<i>HK\$'000 equivalent</i>	<i>HK\$'000 equivalent</i>
Denominated in – HK\$	42,063	91,319	78,333
– US\$	27,451	57,726	115,149
– EUR	–	–	3,694
	<u>69,514</u>	<u>149,045</u>	<u>197,176</u>
Total borrowings	<u><u>69,514</u></u>	<u><u>149,045</u></u>	<u><u>197,176</u></u>

The following table sets out the maturity profile of our borrowings as at the dates indicated:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	47,924	91,061	142,890
More than one year, but not exceeding two years	9,440	19,198	28,286
More than two years, but not exceeding five years	12,150	38,786	26,000
	<u>69,514</u>	<u>149,045</u>	<u>197,176</u>
	<u><u>69,514</u></u>	<u><u>149,045</u></u>	<u><u>197,176</u></u>

As at 31 March 2016, 2017 and 2018, bank borrowings of approximately HK\$21.6 million, HK\$58.0 million and HK\$54.3 million, respectively, were accounted for as current liabilities due to the fact that the loan agreement contains a clause that gives the right to the lenders at their sole discretion to demand immediate repayment at any time irrespective of whether our Group has complied with the covenants and met the scheduled repayment obligations. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not received any demand for immediate repayment from our lenders.

The following table sets out the range of effective interest rates of our borrowings during the Track Record Period:

	Year ended 31 March		
	2016	2017	2018
	Bank loans	1.3%–2.6%	1.4%–2.9%

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Our borrowings represented trust receipt loans and term and revolving loans which were denominated in HK\$ and US\$. Most of our borrowings were short term trade facilities used for the purchase of fabrics and trims, trust receipt loan, purchase order financing and discounting of export bills. As at 31 March 2016, 2017 and 2018, our borrowings amounted to approximately HK\$69.5 million, HK\$149.0 million and HK\$197.2 million, respectively. Our borrowings as at 31 March 2017 increased because of our acquisitions of the Three Factories and the growing material purchase financing needs which were in line with the increasing revenue. Our borrowings further increased to approximately HK\$197.2 million as at 31 March 2018 primarily as a result of changes in working capital consistent with the decrease in trade payables, increase in inventories and trade receivables during the year. During the Track Record Period, most of our borrowings were repayable on demand or within one year after the respective drawdown day.

As at 31 March 2016, 2017 and 2018, certain borrowings were secured by (i) assets of our Group; (ii) assets of our related parties; and (iii) personal guarantees from the two Directors, a shareholder and a related party.

The following table sets out the carrying amounts of the assets of our Group pledged against our borrowings as at the dates indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepaid insurance premium	7,957	8,036	8,107
Land and buildings	46,494	–	–
Payment for leasehold land held for own use under operating lease	48,578	–	–
Assets classified as held for sale	–	92,670	–
	<u>103,029</u>	<u>100,706</u>	<u>8,107</u>

As disclosed above, our Group transferred Sterling Apparel's Win 18 Premises, Win 19 Premises and Win 20 Premises as consideration to set off part of the outstanding amounts due to shareholders on 31 March 2017. Our Directors confirmed that our shareholders have granted permission to our Group to use the said properties which were transferred to our shareholders in May 2017 as security for our borrowings and all the terms and conditions for our borrowings remain unchanged until Listing.

Upon Listing, our banks will release (i) the personal guarantees from the two Directors, a shareholder and a related party, which are to be replaced by corporate guarantees; and (ii) the mortgages of the said properties which were transferred to our shareholders. Factoring in the expected modification in the terms and conditions of our borrowings, our Directors anticipated that the total bank financing available for our Group after Listing will be approximately

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HK\$332.2 million, as compared to approximately HK\$375.2 million as at 31 July 2018, representing a decrease of approximately 11.5%. Save as disclosed above, our Directors do not expect any material change in terms of the borrowings upon release of the aforesaid guarantees and charges.

Under the terms of our borrowings, we are typically required to use the borrowings only for the purposes for which they were granted, and we are obliged to provide the lending banks on a regular basis our financial statements and allow them to assess our Group's financial ratios from time to time. Some of our borrowings also contain a clause that gives the right at their sole discretion to demand immediate repayment at any time irrespective of whether our Group has complied with the covenants and met the scheduled repayment obligations.

As at the Latest Practicable Date, one of our Group's bank facilities of approximately HK\$4.3 million is subject to the fulfilment of material covenants including a loan to security value ratio, which is below 125% in respect of the loans secured by the prepaid insurance premium.

Our Directors have confirmed that they are not aware of any material breach of any of the restrictive covenants contained in our borrowings during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, our borrowing agreements do not contain any material terms or covenants that may have any material adverse effect or restriction on us to make further borrowings or our ability to issue debt or equity securities in the future.

LIQUIDITY AND CAPITAL MANAGEMENT

We have financed our operations primarily through bank borrowings and internal resources during the Track Record Period. As at 31 March 2018, we had cash and cash equivalents of approximately HK\$66.5 million to fund our future working capital, capital expenditure and other cash requirements. The expected capital expenditure to be incurred for the years ending 31 March 2019 and 2020 are approximately HK\$10.7 million and HK\$11.0 million, respectively.

Our Group's principal uses of cash have been, and are expected to continue to be, operating expenses, capital expenditure and finance costs. Our future cash requirements will depend on many factors, including our operating income and our future business expansion plan. Following the completion of the Share Offer, we expect to fund our future cash requirements from bank or other borrowings, our internal resources and the estimated net proceeds from the Share Offer. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loans and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

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Liquidity and working capital management policy

To improve our working capital and liquidity position, our Group plans to and has adopted and implemented the following liquidity and working capital management measures:

- (i) We have designated our Finance team to review regularly and update our liquidity and working capital policies to ensure that it is aligned with our business plan and financial position, and report to the Board of Directors on the status of working capital and liquidity management concerned;
- (ii) In the course of our business operations, we require our Finance team to prepare monthly cash flow forecasts, which are reviewed and approved by our Directors. These cash flow forecasts set forth, among other things, (i) the outstanding repayment amounts and repayment schedules of our trust receipt loans and other bank borrowings; (ii) the trade receivables from our customers; (iii) our operational expenses including employee salaries, rental expenses and utilities expenses; and (iv) the capital expenditure (i.e. purchase of plants and equipment). We monitor and review the accuracy of these cash flow forecasts on a monthly basis to ensure we have sufficient level of cash to repay all our outstanding trust receipt loans and other bank borrowings in a timely manner and to meet our working capital requirements. Based on these cash flow forecasts, we are able to accurately predict our cash inflows and outflows;
- (iii) Based on our monthly and annual cash flow forecasts, our Finance team will prepare periodic cash flow reports to our senior management to closely monitor and manage collection and use of cash. Our Directors and senior management hold regular meetings to review the operating budget plan and cash flow estimates in respect of each major business activity and transaction and determine relevant amount of discretionary disbursement, if any;
- (iv) We will closely monitor the balance of trade receivables and will try to reduce its balance and improve liquidity through discounting with the bank, with or without recourse in the future. This will shorten the trade cycle, accelerate cash receipt and reduce the average trade receivables turnover days at a cost of some interest expenses. We aim at maintaining the trade receivable balance in keeping with the agreed trade terms;
- (v) We will negotiate with our long term suppliers extending the payment terms from 30 to 60 days to the extent possible. For nominated suppliers, we will negotiate through our customers with the suppliers to avoid payment before shipment and use usance letters of credit as much as possible, such as letters of credit 30 or 60 days; and
- (vi) We will adopt a more conservative approach to dividend distribution in the future. During the Track Record Period, our Group declared dividends of approximately HK\$38.0 million, which was distributed in cash. A lower dividend distribution will increase our Group's net worth lowering the gearing ratio.

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CASH FLOWS

The following table sets out a summary of our combined cash flows for the periods indicated:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year	37,582	27,477	47,140
Net cash flows generated from/(used in) operating activities	25,508	(1,719)	1,147
Net cash flows used in investing activities	(3,599)	(58,312)	(14,978)
Net cash flows (used in)/generated from financing activities	(32,014)	79,660	33,380
Net (decrease)/increase in cash and cash equivalents	(10,105)	19,629	19,549
Effect of change in foreign exchange rate	–	34	(153)
Cash and cash equivalents at the end of year	<u>27,477</u>	<u>47,140</u>	<u>66,536</u>

Net cash flows generated from/(used in) operating activities

Our cash inflow from operating activities primarily consisted of receipts in respect of the sales of our apparel products. Our cash outflow from operating activities primarily consisted of payments for purchase of raw materials, subcontracting charges, labour costs, selling and distribution costs, general and administrative expenses, and other operating expenses.

We recorded net cash generated from operating activities of approximately HK\$25.5 million for the year ended 31 March 2016, net cash used in operating activities of approximately HK\$1.7 million for the year ended 31 March 2017 and net cash generated from operating activities of approximately HK\$1.1 million for the year ended 31 March 2018.

For the year ended 31 March 2018, we had net cash generated from operating activities of approximately HK\$1.1 million primarily due to cash generated from operations of approximately HK\$1.7 million. The cash generated from operations of approximately HK\$1.7 million mainly resulted from the cash flows from operating profits of approximately HK\$43.9 million, offset by the net decrease of working capital of approximately HK\$42.2 million. The net decrease in working capital was mainly due to (i) the increase in inventories of approximately HK\$4.2 million, (ii) the increase in trade and other receivables of approximately HK\$46.7 million, and (iii) the decrease in trade, bills and other payables of approximately HK\$8.8 million. The

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increase in inventories from approximately HK\$35.4 million as at 31 March 2017 to approximately HK\$39.7 million as at 31 March 2018 was mainly due to the increase in the inventories of work-in-progress and finished goods after the acquisitions of the Three Factories. The increase in trade and other receivables from HK\$97.0 million as at 31 March 2017 to HK\$143.7 million as at 31 March 2018 was mainly attributable to the increase in trade receivables of Customer G and H as explained earlier. The decrease in trade, bills and other payables from HK\$93.2 million as at 31 March 2017 to HK\$84.5 million as at 31 March 2018 was mainly attributable to our Group's increasing utilization of trust receipt loans in financing our trade payables.

For the year ended 31 March 2017, we had net cash used in operating activities of approximately HK\$1.7 million, primarily as a result of profit before income tax of approximately HK\$36.0 million, which was then adjusted for depreciation and amortisation of approximately HK\$8.8 million, gain on bargain purchase of approximately HK\$8.6 million, reversal of impairment loss recognised on trade and other receivables of approximately HK\$1.6 million, finance costs of approximately HK\$3.9 million, and net outflow in our working capital of approximately HK\$36.0 million. The net outflow in our working capital outweighed the operating profit before working capital change of approximately HK\$38.3 million and the net outflow was primarily due to the combined effect of (i) the increase in trade and other receivables of approximately HK\$39.8 million which was mainly because of the increase in revenue from the addition of a new customer, Customer G. Revenue from Customer G was approximately HK\$186.7 million representing 27.83% of the total revenue for the year ended 31 March 2017; (ii) the net decrease in amounts with related parties of approximately HK\$16.4 million due to settlement in the ordinary course of its business; (iii) the decrease in inventories of approximately HK\$5.0 million; and (iv) the increase in trade, bills and other payables of approximately HK\$15.1 million which was mainly because of the increase in purchase of raw materials in line with our increased sales volume.

For the year ended 31 March 2016, we had net cash generated from operating activities of approximately HK\$25.5 million, primarily as a result of profit before income tax of approximately HK\$31.6 million, which was then adjusted for depreciation and amortisation of approximately HK\$7.9 million, impairment loss recognised on trade and other receivable of approximately HK\$1.4 million, finance costs of approximately HK\$2.8 million, and net outflow in our working capital of approximately HK\$7.2 million. The net outflow in our working capital was primarily due to the increase in inventories of approximately HK\$20.8 million from our Group's increased purchase of raw materials in response to the purchase orders of one of our top customers, Customer G that are planned to be manufactured in the year ended 31 March 2017.

Net cash used in investing activities

Our cash outflow from investing activities mainly consisted of cash advances to related parties, purchase of property, plant and equipment, and acquisition of subsidiaries.

For the year ended 31 March 2018, we had net cash used in investing activities of approximately HK\$15.0 million, primarily as a result of the purchase of property, plant and equipment for HK\$9.4 million and payment for leasehold land for HK\$1.6 million.

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For the year ended 31 March 2017, we had net cash used in investing activities of approximately HK\$58.3 million, which was mainly attributable to cash advances to related parties of approximately of HK\$7.5 million and the consideration (net of cash acquired) for the acquisitions of the Three Factories of approximately HK\$49.7 million. For further details, please refer to the section headed “History, development and Reorganisation” in this prospectus.

For the year ended 31 March 2016, we had net cash used in investing activities of approximately HK\$3.6 million from the addition in leasehold improvements of approximately HK\$3.6 million.

Net cash generated from/(used in) financing activities

Our cash inflow from financing activities primarily consisted of proceeds from borrowings. Our cash outflow from financing activities primarily consisted of repayment of borrowings, interest paid, and interim dividend paid.

For the year ended 31 March 2018, we had net cash generated from financing activities of HK\$33.4 million, primarily as a result of the combined effect of the increase in new borrowings of approximately HK\$499.5 million, which was offset by (i) the repayment of borrowings of approximately HK\$451.4 million, (ii) the interim dividend paid of approximately HK\$9.0 million, (iii) the repayment to a shareholder of approximately HK\$7.4 million and (iv) interest paid of approximately HK\$5.9 million.

For the year ended 31 March 2017, we had net cash generated from financing activities of approximately HK\$79.7 million, which was mainly attributable to combined effect of the increase in new borrowings of approximately HK\$428.8 million, offset by the repayment of borrowings of approximately HK\$349.3 million.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$32.0 million, which was mainly attributable to the combined results of the increase in new borrowings of approximately HK\$188.2 million, offset by (i) the repayment of borrowings of approximately HK\$185.2 million, (ii) the interim dividend paid of approximately HK\$20.0 million; and (iii) the repayment to a shareholder and a related party of approximately HK\$12.2 million.

Cash flow mismatch

In our manufacturing operations, the long trade cycle of about 180 days, which is around 120 days from our fabric purchase to the apparel export and around 60 days for its subsequent payment from customers, will always result in cash flow mismatch. Our Directors are of the view that such mismatch is a result of our production cycle time. In particular, we settle most of our purchases by advance payments or trust receipt loans for raw materials from our suppliers before we start our production process and sell the apparel products to our customers on payment terms of 60 days from shipment. The mismatch is also illustrated by the differences between our average trade payables turnover days and our average trade receivable turnover

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days. For the years ended 31 March 2016, 2017 and 2018 average trade payable turnover days were approximately 32.1 days, 27.1 days and 26.2 days, respectively. Our average trade receivable turnover days were approximately 28.7 days, 33.3 days and 54.2 days for the corresponding periods, respectively. For further details, please refer to the paragraphs headed “Description on major components of the combined statements of financial position – Trade, bills and other payables” and “Description on major components of the combined statements of financial position – Trade and other receivables” in this section.

OTHER KEY FINANCIAL RATIOS

	As at/Year ended 31 March		
	2016	2017	2018
Liquidity ratios			
Current ratio ¹	0.58 times	0.89 times	0.87 times
Quick ratio ²	0.43 times	0.78 times	0.74 times
Capital adequacy ratios			
Gearing ratio ³	196.1%	224.0%	287.7%
Debt to equity ratio ⁴	118.6%	153.1%	190.6%
Interest coverage ⁵	12.2 times	10.3 times	5.4 times
Profitability ratios			
Return on assets ⁶	9.6%	7.5%	5.5%
Return on equity ⁷	73.8%	46.7%	29.1%
Net profit margin ⁸	4.7%	4.6%	2.9%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.
2. Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the end of each reporting period during the Track Record Period.
3. Gearing ratio is calculated based on the total interest-bearing liabilities divided by the total equity as at the end of each reporting period and multiplied by 100%.
4. Debt to equity ratio is calculated based on the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax divided by the interest of each reporting period during the Track Record Period.
6. Return on assets is calculated based on the profit and total comprehensive income for each reporting period divided by the total assets as at the end of each reporting period and multiplied by 100%.
7. Return on equity is calculated based on the profit and total comprehensive income for each reporting period divided by the total equity as at the end of each reporting period and multiplied by 100%.
8. Net profit margin is calculated based on the profit and total comprehensive income for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

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Current ratio

As at 31 March 2016, 2017 and 2018, our current ratio was approximately 0.58 times, 0.89 times and 0.87 times, respectively. The increase in our current ratio from approximately 0.58 times as at 31 March 2016 to approximately 0.89 times as at 31 March 2017 was primarily due to the combined effect of (i) the increase in trade and other receivables from approximately HK\$53.5 million as at 31 March 2016 to approximately HK\$97.0 million as at 31 March 2017; (ii) the increase in assets classified as held for sale from nil as at 31 March 2016 to approximately HK\$92.7 million as at 31 March 2017; (iii) the increase in trade, bills and other payables from approximately HK\$65.6 million as at 31 March 2016 to approximately HK\$93.2 million as at 31 March 2017; and (iv) the increase in borrowings from approximately HK\$69.5 million as at 31 March 2016 to approximately HK\$149.0 million as at 31 March 2017. Our current ratios of approximately 0.89 times as at 31 March 2017 and approximately 0.87 times as at 31 March 2018 remained relatively stable.

Quick ratio

As at 31 March 2016, 2017 and 2018, our quick ratio was approximately 0.43 times, 0.78 times and 0.74 times, respectively. The increase in our quick ratio from approximately 0.43 times as at 31 March 2016 to approximately 0.78 times as at 31 March 2017 was generally in line with the increase in current ratio as explained above. The decrease in our quick ratio from approximately 0.78 times as at 31 March 2017 to approximately 0.74 times as at 31 March 2018 remained relatively stable which was in line with current ratio as explained above.

Gearing ratio

As at 31 March 2016, 2017 and 2018, our gearing ratio was approximately 196.1%, 224.0% and 287.7%, respectively. The increase in our gearing ratio from approximately 196.1% as at 31 March 2016 to approximately 224.0% as at 31 March 2017 was primarily due to the combined effect of (i) the increase in borrowings from approximately HK\$69.5 million as at 31 March 2016 to approximately HK\$149.0 million as at 31 March 2017; and (ii) the lesser increase in total equity from approximately HK\$35.4 million as at 31 March 2016 to approximately HK\$66.5 million as at 31 March 2017 as a result of the net profit for the year ended 31 March 2017 and no dividends were distributed in the same period. The increase in gearing ratio from approximately 224.0% as at 31 March 2017 to approximately 287.7% as at 31 March 2018 was primarily due to the combined effect of (i) the increase in borrowings from approximately HK\$149.0 million as at 31 March 2017 to approximately HK\$197.2 million as at 31 March 2018; and (ii) relatively stable total equity of approximately HK\$66.5 million as at 31 March 2017 and approximately HK\$68.5 million as at 31 March 2018 as a result of the net profit of approximately HK\$20.0 million for the year ended 31 March 2018 and dividends of approximately HK\$18.0 million declared in April 2017.

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Assuming there are no material changes in our financial and operating conditions and taking into consideration, the payoff of approximately HK\$13.6 million of our outstanding borrowings as at 31 March 2018 after the Listing, our Directors estimate that the gearing ratio shortly after the Listing will be about 136.3% based on an estimated proceeds to be received of approximately of HK\$66.1 million from the Share Offer at an Offer Price of HK\$0.42 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus).

Debt to equity ratio

As at 31 March 2016, 2017 and 2018, our debt to equity ratio was approximately 118.6%, 153.1% and 190.6%, respectively. The increase in the debt to equity ratio was in line with the increase in bank loans as explained under the paragraph headed “Borrowings” in this section, but was also offset by an increase in cash and cash equivalents from HK\$27.5 million to HK\$47.1 million to HK\$66.5 million as at 31 March 2016, 2017 and 2018 respectively. The increase in the ratio as at 31 March 2016 and 2017 was tempered by the increase in equity as at 31 March 2016 to 31 March 2017 by HK\$31.1 million as explained above.

Assuming there are no material changes in our financial and operating conditions and taking into consideration, the payoff of approximately HK\$13.6 million of our outstanding borrowings as at 31 March 2018 after the Listing, our Directors estimate that the debt to equity ratio shortly after the Listing will be about 86.9% based on an estimated proceeds to be received of approximately of HK\$66.1 million from the Share Offer at an Offer Price of HK\$0.42 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus).

Interest coverage

For the years ended 31 March 2016, 2017 and 2018, our interest coverage was approximately 12.2 times, 10.3 times and 5.4 times, respectively. Our interest coverage decreased to approximately 10.3 times for the year ended 31 March 2017 which was primarily due to the increase in financing costs from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$3.9 million for the year ended 31 March 2017 and was generally in line with increase in borrowings, outweighing the increase in profit before interest and tax during the periods. Our interest coverage further decreased from approximately 10.3 times for the year ended 31 March 2017 to approximately 5.4 times for the year ended 31 March 2018 primarily due to the combined effect of (i) the decrease in profit before interest and tax of our Group to approximately HK\$31.7 million for the year ended 31 March 2018 from approximately HK\$39.9 million for the year ended 31 March 2017 and (ii) the increase in finance costs to approximately HK\$5.9 million for the year ended 31 March 2018 which was generally in line with the increase in borrowings for the corresponding period.

Return on assets

For the years ended 31 March 2016, 2017 and 2018, our return on assets was approximately 9.6%, 7.5% and 5.5%, respectively. The return on assets decreased from approximately 9.6% for the year ended 31 March 2016 to approximately 7.5% for the year ended 31 March 2017 which

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was primarily due to the increase in total assets from approximately HK\$273.0 million as at 31 March 2016 to approximately HK\$412.2 million as at 31 March 2017, arising from the acquisitions of Zhi Wei, Chiefway (PVT) and the Katunayake Factory outweighing the increase in net profit for the year ended 31 March 2017. The return on assets decreased from approximately 7.5% for the year ended 31 March 2017 to approximately 5.5% for the year ended 31 March 2018 because of the combined effect of (i) the decrease in the profit and total comprehensive income from approximately HK\$31.1 million for the year ended 31 March 2017 to approximately HK\$19.9 million for the year ended 31 March 2018, and partially offset by (ii) the decrease in total assets from approximately HK\$412.2 million as at 31 March 2016 to approximately HK\$364.5 million as at 31 March 2018, primarily due to the disposal of the assets classified as held for sale during the corresponding period.

Return on equity

For the years ended 31 March 2016, 2017 and 2018, our return on equity was approximately 73.8%, 46.7% and 29.1%, respectively. The decrease in our return on equity from approximately 73.8% for the year ended 31 March 2016 to approximately 46.7% for the year ended 31 March 2017 was primarily due to the increase in total equity from approximately HK\$35.4 million as at 31 March 2016 to approximately HK\$66.5 million as at 31 March 2017 which was mainly attributable to the increase in net profit for the year for the year ended 31 March 2017 and no dividends were distributed in the corresponding period. The decrease in return on equity from approximately 46.7% for the year ended 31 March 2017 to approximately 29.1% for the year ended 31 March 2018 was primarily due to the combined effect of (i) the decrease in the profit and total comprehensive income from approximately HK\$31.1 million for the year ended 31 March 2017 to approximately HK\$19.9 million for the year ended 31 March 2018 and (ii) total equity remained relatively unchanged during the corresponding period because of an interim dividend of HK\$18.0 million declared in April 2017.

Net profit margin

For the years ended 31 March 2016, 2017 and 2018, our net profit margin was approximately 4.7%, 4.6% and 2.9%, respectively. Our net profit margin for the year ended 31 March 2017 remained relatively stable at 4.6% comparing to 4.7% for the year ended 31 March 2016. Our net profit margin decreased to approximately 2.9% for the year ended 31 March 2018 primarily due to the decrease of our net profit for the year ended 31 March 2018 from the combined effect of (i) the listing expenses incurred of approximately HK\$6.1 million for the year ended 31 March 2018 as compared to approximately HK\$2.6 million for the year ended 31 March 2017; (ii) the fact that there were other gains of approximately HK\$10.5 million for the year ended 31 March 2017 whereas the other gains decreased to approximately HK\$1.6 million for the year ended 31 March 2018 and (iii) the finance costs incurred of approximately HK\$5.9 million for the year ended 31 March 2018 as compared to approximately HK\$3.9 million for the year ended 31 March 2017.

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INDEBTEDNESS STATEMENT AND CONTINGENT LIABILITIES

At the close of business on 31 July 2018, being the latest practicable date for the indebtedness statement (“**Indebtedness Date**”), we had total bank borrowings of approximately HK\$245.7 million and unutilised bank facilities of HK\$129.5 million.

The maturity profile of our bank borrowings as at 31 July 2018 was as follows:

	<i>HK\$'000</i>
Bank borrowings – secured	
– Due within one year	204,867
– Due more than one year but not exceeding two years	24,183
– Due more than two years but not exceeding five years	<u>16,667</u>
Total	<u><u>245,717</u></u>

As at 31 July 2018, bank borrowings of HK\$245.7 million were interest bearing borrowings which carried annual interest per annum at the range of 2.1% to 4.6%. As at 31 July 2018, our bank borrowings were secured by keyman insurance policy of our Group to insure Ms. Alice Wong and the personal guarantee of two Directors, a shareholder and a related party.

In respect of the outstanding bank borrowings of our Group as at 31 July 2018, save as disclosed under the paragraph headed “Borrowings” in this section, our Directors confirmed that there were no material financial covenants for our Group’s bank borrowings during the Track Record Period.

Except for the borrowings as described above, as at 31 July 2018, our Group had outstanding indebtedness of approximately HK\$1.7 million, which was amounts due to related parties which is unsecured, interest-free and repayable on demand. Such amount will be settled prior to the Listing.

Save as disclosed above, we did not have, at the close of business on 31 July 2018, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, hire purchase commitments, mortgages and charges, material contingent liabilities, or guarantees outstanding. Our Directors confirm that (i) there has not been any material change in the indebtedness and contingent liabilities since 31 July 2018 and up to the Latest Practicable Date; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements and the payments of trade and non-trade payables during the Track Record Period; (iii) we do not have material covenants relating to the outstanding debts affecting our fund raising ability; (iv) we have complied with all of the finance covenants during the Track Record Period, if any; and (v) we do not have any concrete material external debt financing plans as at the Latest Practicable Date.

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CONTRACTUAL COMMITMENTS

Our Group as lessee

The following table sets out our total future minimum lease payments under non-cancellation operating leases in respect of motor vehicles, facilities and leasehold land under operating lease for the periods indicated:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	280	2,045	10,406
Later than one year and not later than five years	–	3,459	23,737
Later than five years	–	4,359	9,189
	<u>280</u>	<u>9,863</u>	<u>43,332</u>

The leases run for an initial period of two to fifty years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between our Group and the respective lessors. None of the leases include contingent rentals.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group did not enter into any off-balance sheet transactions or arrangements during the Track Record Period and as at the Latest Practicable Date.

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NET CURRENT LIABILITIES

The following table sets forth the breakdown of our current assets, current liabilities and net current liabilities as at the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
Current assets				
Inventories	35,266	35,432	39,742	89,240
Trade and other receivables	53,521	96,981	143,676	156,184
Amounts due from shareholders	–	–	–	156
Amounts due from related parties	13,471	24,209	4,272	4,321
Tax recoverable	6,742	6,588	1,720	1,948
Cash and cash equivalents	27,477	47,140	66,536	19,736
Assets classified as held for sale	–	92,670	–	–
Total current assets	<u>136,477</u>	<u>303,020</u>	<u>255,946</u>	<u>271,585</u>
Current liabilities				
Trade, bills and other payables	(65,648)	(93,236)	(84,486)	(63,252)
Amounts due to shareholders	(95,501)	(99,501)	(8,428)	–
Amounts due to related parties	(5,855)	–	(1,049)	(1,736)
Bank borrowings	(69,514)	(149,045)	(197,176)	(245,717)
Income tax payable	–	(561)	(2,565)	(2,774)
Total current liabilities	<u>(236,518)</u>	<u>(342,343)</u>	<u>(293,704)</u>	<u>(313,479)</u>
Net current liabilities	<u>(100,041)</u>	<u>(39,323)</u>	<u>(37,758)</u>	<u>(41,894)</u>
Non-current Borrowings				
Repayable on Demand (as defined below)	<u>21,590</u>	<u>57,984</u>	<u>54,286</u>	<u>40,850</u>
Adjusted net current (liabilities)/assets ^(Note 1)	<u>(78,451)</u>	<u>18,661</u>	<u>16,528</u>	<u>(1,044)</u>
Adjusted bank borrowings ^(Note 2)	(47,924)	(91,061)	(142,890)	(204,867)

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Notes:

1. Adjusted net current (liabilities)/assets represents the net current liabilities excluding the Non-current Borrowings Repayable on Demand (as defined below) for illustration purpose. The term adjusted net current (liabilities)/assets is not defined under HKFRS, and adjusted net current (liabilities)/assets is not a measure of asset or liability presented in accordance with HKFRS. The use of adjusted net current (liabilities)/assets has limitations as an analytical tool, and you should not consider it in isolation form, or a substitute for analysis of our results of operations or financial conditions as reported.
2. Adjusted bank borrowings represents the bank borrowings excluding the Non-current Borrowings Repayable on Demand (as defined below) for illustration purpose. The term adjusted bank borrowings is not defined under HKFRS, and adjusted bank borrowings is not a measure of asset or liability presented in accordance with HKFRS.

We recorded net current liabilities of approximately HK\$100.0 million, HK\$39.3 million, HK\$37.8 million and HK\$41.9 million as at 31 March 2016, 2017 and 2018 and 31 July 2018, respectively.

Background of our net current liabilities position

Historically, our net current liabilities position reflected our significant amount of short term bank borrowings (being current liabilities) used to finance our Group's acquisition of fixed assets and subsidiaries (being non-current assets).

During the Track Record Period, our additions of fixed assets and subsidiaries amounted to approximately HK\$3.6 million, HK\$51.5 million and HK\$9.4 million, respectively. All of which were recorded as non-current assets due to its ability to generate future revenue for more than one year.

We financed such non-current assets by combination of cash flows from operations and bank borrowings. Among the current portion of our bank borrowings, a majority was classified as current liabilities owing to the repayable on demand clause, which gives right to the relevant banks at their sole discretion to demand immediate repayment at any time regardless of the scheduled repayment dates as stipulated in the relevant loan agreements. However, as at the Latest Practicable Date, we have already obtained written confirmation from the relevant banks that it is not their intention to call for repayment of bank borrowings earlier than the stipulated schedule in the loan agreement. According to the repayment schedule stipulated in the relevant loan agreements, the aggregate amounts due for repayment after one year which contains repayable on demand clause (the “**Non-current Borrowings Repayable on Demand**”) were approximately HK\$21.6 million, HK\$58.0 million, HK\$54.3 million and HK\$40.9 million as at 31 March 2016, 2017 and 2018 and 31 July 2018, respectively. For further details of the Non-current Borrowings Repayable on Demand, please refer to the section headed “Accountants’ Report – Notes to the Financial Information – Note 29. Bank Borrowings” in Appendix I to this prospectus.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, (i) our Group had never been requested to make early repayment for our bank borrowings (including but not limited to the Non-current Borrowings Repayable on Demand);

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and (ii) we did not have any material defaults in payment of trade and non-trade payable and bank borrowings, or breaches of financial covenants.

Adjusted net current (liabilities)/assets

If the aforesaid balance of Non-current Borrowings Repayable on Demand were to be excluded, we would have adjusted net current liabilities of approximately HK\$78.5 million as at 31 March 2016, adjusted net current assets of approximately HK\$18.7 million and HK\$16.5 million as at 31 March 2017 and 2018, respectively and adjusted net current liabilities of approximately HK\$1.0 million as at 31 July 2018.

Our adjusted net current liabilities decreased from approximately HK\$78.5 million as at 31 March 2016 to adjusted net current assets of approximately HK\$18.7 million as at 31 March 2017. The decrease in adjusted net current liabilities was primarily attributable to the combined effect of (i) the increase in trade and other receivables of approximately HK\$43.5 million which was primarily due to increase in revenue for the year ended 31 March 2017; (ii) the increase in assets classified as held for sale of approximately HK\$92.7 million which was primarily due to the reclassification of property, plant and equipment to assets classified as held for sale as described above and (iii) the reclassification of amount from payment for leasehold land held for own use under operating lease to assets classified as held for sale as described above; and offset by (iv) the increase in trade, bills and other payables of approximately HK\$27.6 million which was primarily due to the increase in purchase of raw materials which was in line with our increased sales volume; and (v) the increase in adjusted bank borrowings of approximately HK\$43.1 million due to our Group's growing finance needs.

Our adjusted net current assets decreased from approximately HK\$18.6 million as at 31 March 2017 to approximately HK\$16.5 million as at 31 March 2018. The decrease in net current assets was primarily attributable to the combined effect of the (i) increase in adjusted bank borrowings of approximately HK\$51.8 million which was primarily due to our Group's growing finance needs; (ii) the decrease of amounts due to shareholders of approximately HK\$91.1 million due to settlement; (iii) the decrease of assets classified as held for sale of approximately HK\$92.7 million due to the settlement as described earlier; and (iv) the increase in trade and other receivables of approximately HK\$46.7 million which was due to shipments to new Customers G and H in the two months before 31 March 2018.

Our adjusted net current assets decreased from approximately HK\$16.5 million as at 31 March 2018 to adjusted net current liabilities of approximately HK\$1.0 million as at 31 July 2018. Such decrease was primarily attributable to the combined effect of (i) the decrease in cash and cash equivalents of approximately HK\$46.8 million; (ii) the increase in adjusted bank borrowings of approximately HK\$62.0 million due to our financial needs to purchase raw materials in response to the confirmed sales orders from August to September 2018 for the fall/winter season products; and offset by (iii) the increase in inventories of approximately HK\$49.5 million due to the increased purchase of raw materials as illustrated above; and (iv) the

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decrease in trade, bills and other payables of approximately HK\$21.2 million due to our utilisation of letter of credit and trust receipt loan to finance our purchases.

WORKING CAPITAL SUFFICIENCY

In spite of the net current liabilities, high gearing ratio, and negative operating cash flows for most of the Track Record Period, our Directors consider that it had not, and will not impose material adverse impact on our financial and operational status, for the following reasons: (i) our current liabilities included bank borrowings with due date exceeding one year, which were accounted for under current liabilities only because of the early loan repayment demand clause. However, we had never received such demand from our banks during the Track Record Period and up to the Latest Practicable Date. Currently, our Directors also do not anticipate such demand in the foreseeable future considering our credit history and established relationship with the banks; (ii) our bank borrowings increased during the Track Record Period mainly due to our business development and expansion; (iii) our current liabilities contained large amount due to shareholders which has been fully settled in June 2017; (iv) our trade, bills and other payables contained in the current liabilities were generated in our normal course of business and are self-liquidating following the trade cycle, and the increase of which, was generally in line with our increase in revenue; (v) during the Track Record Period and up to the Latest Practicable Date, we had not caused any defaults in payment of trade and non-trade payables and bank borrowings; (vi) during the Track Record Period and up to the Latest Practicable Date, we do not have any difficulty in obtaining bank facilities; and (vii) as at the Latest Practicable Date, there is no indication that the banks will not renew the existing bank borrowings if we apply for the renewal.

Our Directors are of the view that our Group's capital and liquidity requirements are closely monitored and its working capital sufficiency is always assured. Our Group's monthly management accounts will be prepared in a timely manner and will be reviewed by our Directors and our senior management. The monthly management accounts will be compared with the budgets and any material variances will be explained and followed up immediately. Our senior management will closely review the working capital requirements by monitoring any long outstanding receivables and payment schedules for our suppliers. If a shortfall of working capital is foreseen, our Group will adopt various measures to cope with it, such as hastening the collection of our outstanding receivables, increasing our bank facilities, delaying our non-urgent payments, etc.

Moreover, our Group will consider taking the following initiatives to improve our working capital position. Since we are currently undergoing an application for the Listing, the Listing is expected to provide a more effective fund-raising platform for sustainable business development and expansion in the long term. It is expected that the proceeds from the Listing will improve our working capital position with a cash infusion and this additional liquidity helps our Group avoid additional bank borrowings to fund any business expansion. The proceeds from the Listing will improve the gearing ratio shoring up the capital base of our Group. It may further reduce the gearing ratio when we earmark a portion of the net proceeds to retire our term loans for past acquisitions. The Listing provides an alternate fund-raising platform for our Group to increase

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our equity by issuing additional shares to the public shareholders instead of relying only on debt financing or retained earnings. In addition, at the cost of some interest expense, we may avail ourselves with the banks' discounting of export invoices for shipments to our customers. This will accelerate cash receipts and noticeably improve our cash position. The discounting of export invoices for shipments to customers will generally be on a recourse basis.

In view of the above, after taking into consideration the financial resources presently available to our Group, including our available banking facilities, other internal resources, and the estimated net proceeds of the Share Offer and in the absence of any unforeseeable circumstances, our Directors confirm that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus. After due enquiry with our Directors and respective due diligence work, the Sole Sponsor concurs with our Directors' view.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital risk management

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital and to support our Group's stability and growth.

Our Group monitors capital using debt to capital ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as trade, bills and other payables, borrowings, amounts due to related parties, amount due to shareholders, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company. As at 31 March 2016, 2017 and 2018, our debt to capital ratio was approximately 85.5%, 81.6% and 76.6%, respectively.

Financial risk management

Our Group is or may be exposed to currency risk, interest rate risk, credit risk, and liquidity risk in the normal course of business.

Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Our Group's functional currency is Hong Kong dollar ("HK\$") and it carried out foreign currency transactions in United States Dollars ("US\$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"). Since, HK\$ is pegged to US\$, we do not expect any significant movement in the US\$/HK\$ exchange rate. The currencies giving rise to exchange risks are primarily EUR, RMB and LKR.

FINANCIAL INFORMATION

The following table sets out the sensitivity analysis on our Group's profit for the year and other components of consolidated equity assuming that change in foreign exchange rates to which our Group has significant exposure had occurred at the end of the reporting period for the years ended 31 March 2016, 2017 and 2018 and that all other variables remained constant. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the HKD strengthens against the relevant currency. For a weakening of the HKD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Increase/ (Decrease) in foreign exchange rates	Effect on profit for the year and retained profits HK\$'000
As at 31 March 2016		
EUR	5%/(5%)	143/(143)
RMB	5%/(5%)	225/(225)
LKR	5%/(5%)	-/-
As at 31 March 2017		
EUR	5%/(5%)	-/-
RMB	5%/(5%)	142/(142)
LKR	5%/(5%)	1,828/(1,828)
As at 31 March 2018		
EUR	5%/(5%)	1,905/(1,905)
RMB	5%/(5%)	12/(12)
LKR	5%/(5%)	2,532/(2,532)

Our revenue is mainly denominated in USD, whereas our cost of sales is mainly denominated in USD, HKD, RMB and LKR. In terms of functionality, most of our FOB and raw materials purchases are settled in either USD or HKD and all of our operating expenses incurred in Hong Kong operations are paid in HKD. As such, we will be exposed to exchange rate risks only when we settle our operating expenses incurred by the Panyu Factory in RMB and the expenses incurred by the Katunayake Factory and the Meegoda Factory in LKR. For illustration purposes, the total amount of operating expenses (mainly including our cost of sales, selling and distribution costs and general and administrative expenses) incurred by the Panyu Factory, Katunayake Factory and the Meegoda Factory was approximately HK\$63.9 million, HK\$44.7 million and HK\$10.2 million by extracting from their management/audited accounts for the year ended 31 March 2018. The total operating expenses of the Panyu Factory, Katunayake Factory and the Meegoda Factory only represented 18.4% of our total costs and expenses of

FINANCIAL INFORMATION

approximately HK\$645.5 million for the year ended 31 March 2018. Furthermore, LKR has been depreciating against HKD since 2014 and RMB has been depreciating against HKD from January 2015 to March 2017 albeit a rebound since then. Foreign exchange fluctuations may not always have a negative impact on us. The depreciation of RMB and LKR will lead to favourable impact on our results and financial positions. Nevertheless, we will closely monitor any risks arising from the movements in the foreign exchange rates. Although we currently do not undertake any hedging activities, we will monitor exchange rate trends from time to time to consider if there is such a need in the future in order to mitigate any risks arising from foreign exchange fluctuations.

Interest rate risk

Our exposure to changes in interest rates is mainly attributable to our long-term borrowing. We have not used any interest rate hedging to hedge our exposure to interest rate risk. The following table details the interest rate profile of our Group's borrowings as at 31 March 2016, 2017 and 2018.

	As at 31 March					
	2016		2017		2018	
	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>
Floating rate borrowings						
Borrowings:						
Trust receipt loans	2.2567%	21,639	2.6347%	52,456	3.6796%	90,943
Borrowings:						
Term and revolving loans	1.3556% to 2.5926%	47,875	1.4094% to 2.9280%	96,589	1.8718% to 4.4796%	106,233
Total net borrowings		<u>69,514</u>		<u>149,045</u>		<u>197,176</u>

As at 31 March 2016, 2017 and 2018, if the interest rates on borrowings had been 100 basis points higher/lower, with all other variables held constant, the profit after tax for the years would have been approximately HK\$0.7 million, HK\$1.5 million and HK\$2.0 million lower/higher, respectively, mainly as a result of higher/lower interest expenses.

Credit risk

Our Group's credit risk is primarily attributable to its trade and other receivables and deposits with banks. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

FINANCIAL INFORMATION

We have policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. We perform periodic credit evaluations of our customers, taking into account their financial position, past experience and other factors. Our credit sales are generally on credit terms within 90 days. Normally we do not require collaterals from trade debtors.

As at 31 March 2016, 2017 and 2018, all of our bank balances and deposits are held with major financial institutions with established credit ratings. Given their high credit ratings, management does not expect any losses arising from non-performing by these counterparties.

Liquidity risk

We mainly finance our working capital requirements through internal resources and bank and other borrowings.

We monitor and maintain a level of cash and cash equivalents considered adequate by our Directors to finance our Group's operations and mitigate the effect of fluctuation in cashflows. Our Directors also monitor the utilisation of bank and other borrowings to ensure the adequacy of available bank facilities and our compliance with loan covenants.

The table below sets forth the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account our Group's financial position, our Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, our Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Term and revolving loans subject to repayment on demand clause based on scheduled repayments			
Carrying amount	<u>47,875</u>	<u>96,589</u>	<u>106,233</u>
Within three months or on demand	18,036	28,306	30,492
More than three months but less than one year	8,890	11,704	24,737
More than one year but less than five years	<u>22,141</u>	<u>59,855</u>	<u>55,744</u>
Total contractual undiscounted cash flow	<u>49,067</u>	<u>99,865</u>	<u>110,973</u>

FINANCIAL INFORMATION

For further details on our financial risk management policies and practices, please refer to the paragraph headed “Notes to the financial information – Financial risk management” in Appendix I to this prospectus.

DIVIDEND

We do not have fixed dividend policy. For the years ended 31 March 2016, 2017 and 2018, certain subsidiaries declared dividends in the amount of approximately, HK\$20.0 million, nil and HK\$18.0 million, respectively. All of the dividends for the years ended 31 March 2016, 2017 and 2018 were fully paid as at Latest Practicable Date. Dividends paid in prior periods may not be indicative of future dividend payment. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment. We cannot guarantee when, if and in what form dividend will be paid in the future.

Subject to the Companies Law and the Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Directors. Our Articles of Association provide that dividends may be declared and paid out of profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Our Board has the absolute discretion to decide whether to recommend payment of dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

We will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from all of our subsidiaries which, as at the Latest Practicable Date, comprise companies in Hong Kong, the PRC and Sri Lanka. Hong Kong law requires a company to have sufficient legally available reserves before distributing a dividend. In general, this means that a Hong Kong company can only declare dividends from realised profits and subject further, to there being no accumulated losses. PRC laws require that dividends to be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 6 June 2017 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. As no business activities has been carried out during the Track Record Period, our Company did not have any distribution reserves available for distribution to Shareholders as at 31 March 2018.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.42 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing related expenses in relation to the Share Offer is approximately HK\$29.6 million (excluding the underwriting commission to be borne by the Selling Shareholder of approximately HK\$0.9 million in direct proportion of the Sale Shares in the Share Offer), of which approximately HK\$2.6 million and approximately HK\$6.1 million were charged to our income statements for the year ended 31 March 2017 and 2018, respectively. For the remaining expenses, we expect to charge approximately HK\$8.1 million to our income statements and the balance of approximately HK\$12.8 million to be capitalised for the year ending 31 March 2019. Our Group's financial performance and result of operation for the year ending 31 March 2019 will be affected by the listing expenses. However, the non-recurring listing expenses will not have continuing impact on our financial results.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to owners of our Company as if the Share Offer had taken place on 31 March 2018. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at after the Share Offer or at any future dates.

	Combined net tangible assets of our Group as at 31 March 2018 HK\$'000	Estimated net proceeds from the Share Offer HK\$'000	Unaudited pro forma combined net tangible assets of our Group HK\$'000	Unaudited pro forma combined net tangible assets per Share HK\$
Based on the Offer Price of HK\$0.44 per Share	51,742	66,715	118,457	0.15
Based on the Offer Price of HK\$0.40 per Share	51,742	59,355	111,097	0.14

For further details, please refer to Appendix II to this prospectus.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Our Directors confirm that the related party transactions were entered into in the ordinary course of business between our Group and its related parties and did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period. For further details of the related party transactions, please refer to note 35 in Appendix I to this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed above, our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in the financial or trading positions or prospect of our Group since 31 March 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Main Board Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For further details of discussion of our future plan, please refer to the section headed “Business – Our business strategies” in this prospectus.

USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in the section headed “Business – Our business strategies” in this prospectus.

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and commissions and other estimated expenses in connection with the Share Offer:

	Assuming the Offer Size Adjustment Option is not exercised (HK\$ million)	Assuming the Offer Size Adjustment Option is exercised in full (HK\$ million)
If the Offer Price is fixed at HK\$0.42 per Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$54.4 million	Approximately HK\$67.6 million
If the Offer Price is fixed at HK\$0.44 per Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$58.1 million	Approximately HK\$71.9 million
If the Offer Price is fixed at HK\$0.40 per Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$50.7 million	Approximately HK\$63.3 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.42, being the mid-point of the Offer Price range, of approximately HK\$54.4 million as follows:

- approximately HK\$16.3 million, representing approximately 30% of the net proceeds will be used for expanding and refurbishing our production facilities located in Sri Lanka and the PRC;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for repayment of part of our outstanding bank borrowings, which were used for the acquisition of (i) Zhi Wei; (ii) Chiefway (PVT); and (iii) the Katunayake Factory, to improve our financial position, gearing and liquidity;

	Outstanding amount as at 31 July 2018	Interest rate	Maturity	Usage
Bank borrowings	HK\$41.7 million	HIBOR + 1.5%	30 November 2021	Consideration for the acquisition of the Three Factories

- approximately HK\$13.6 million, representing approximately 25% of the net proceeds will be used for acquisitions of production facilities;
- approximately HK\$5.4 million, representing approximately 10% of the net proceeds will be used for upgrading our information technology system, lean manufacturing and productivity improvement programs; and
- approximately HK\$5.5 million, representing approximately 10% of the net proceeds will be used for our Group's general working capital.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Group will receive additional net proceeds of the Offer of approximately HK\$3.7 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$3.7 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Group intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$13.2 million, assuming an Offer Price of HK\$0.42 per Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes. If the Offer Size Adjustment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

Assuming the Offer Price is fixed at HK\$0.42 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$10.8 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. Our Group will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group based on the following reasons:

(i) Facilitating the implementation of our Group's business strategies by accessing the capital market for fund raising

During the Track Record Period, we mainly utilised our banking facilities and internal resources for our business operations. As at 31 July 2018, our Group had unutilised banking facilities comprising a total of approximately HK\$129.5 million, of which approximately HK\$123.0 million were short term trade facilities used for the purchase of fabrics and trims, trust receipt loan, purchase order financing and discounting of export bills. Our Directors consider that short term debt financing is not desirable as the trade financing is repayable and self-liquidating by nature of our Group's trade cycle and may not be used for anything that is capital in nature. Also, the interest expenses would impose additional cash flow burden to our Group and further increase the gearing level of our Group. Our Directors are of the view that while our Group maintains a healthy cash level to support our existing operations, the net proceeds from the Listing are necessary for the implementation of our Group's business plans especially most of our customers would consider financial viability of our Group as one of the critical selection criteria.

Moreover, as stated in the section headed "Business – Our Business Strategies" in this prospectus, we intend to achieve our business objective by expanding our scale of operation through our effort in proactively approaching existing and potential customers for business opportunities, on top of our present scale of operation thus we intend to further enhance our Group's existing production facilities and acquire more garment production facilities. These implementation plans require considerable additional financial resources and we intend to finance these by utilising the net proceeds from the Listing.

In addition, the Listing would provide our Group with opportunities to raise fund through secondary fund-raising exercises after the Listing for our future expansion plans through the issuance of equity and/or debt securities, which will assist our future business development, strengthen our competitiveness and improve our operating and financial performance to enhance shareholder's return.

FUTURE PLANS AND USE OF PROCEEDS

(ii) Gaining higher corporate profile, visibility and strengthen our competitiveness

Our Directors believe that achieving a listing status with transparent financial disclosures would enhance our credibility with our customers, suppliers, banks and may in turn strengthen our competitiveness and expand our market share in the industry. With a listing status, our Group can be differentiated from other competitors and strengthen our business relationships with new and existing customers, obtaining more favourable terms from banks and longer credit terms from suppliers, which will improve our results of operation as well as financial condition. Also, we obtain most of our business through referrals from customers, reputation and corporate profile are often one of the selection criteria. We therefore consider that an enhanced corporate profile and increased exposure are important factors in succeeding in our industry.

(iii) Generating and improving employee incentive and commitment

We believe that the Listing is considered to be one of the primary channels through which our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group.

Furthermore, according to the Ipsos Report, the apparel manufacturing industry has been facing increasing difficulty in recruiting skilled labour. Our Directors consider that a listing status will improve our Group's ability to recruit, motivate and retain staff as there is an option for our Group to offer an equity-based incentive programme (i.e. the Share Option Scheme) to our staff. Our Directors believe that our ability to offer an equity-based incentive programme after the Listing can facilitate the successful implementation of the business strategies as stated in the section headed "Business – Our Business Strategies" in this prospectus. The Listing will also potentially motivate our existing staff to further develop their career with us in view of the perceived status associated with working for a listed company in Hong Kong and will allow us to attract and retain staff more successfully.

(iv) Maintaining high standards of corporate governance

A public company status would improve the longevity of a business by attracting management talent to operate the business for the long term increase in share value enabling the separation of ownership from management through the company's compliance with a regulatory framework, the necessary transparency with all shareholders and the supervision from all constituents – public shareholders, banks, regulatory agencies, independent directors and the investment banking community.

Our Directors believe the Listing will maintain our high standards of corporate governance and continually improve our internal control, management efficiency and risk management. By improving the efficiency of our Group, we believe we can give better assurance and confidence to our customers and hence attract more business opportunities and potential customers.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Alpha Financial Group Limited
Great Roc Capital Securities Limited
AFG Securities Limited
Elstone Securities Limited
Grand Partners Securities Limited
I Win Securities Limited
Wealth Link Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 22,800,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

The Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company (for ourselves and on behalf of the Selling Shareholder) at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, BVI, Cayman Islands, Sri Lanka or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
 - (c) any material deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
 - (d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (g) any event, act or omission which gives rise or is likely to give rise to any material breach of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement; or
- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions and our Group's business, financial or trading position; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any material change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk factors" in this prospectus; or
- (l) any material change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollar against any foreign currency; or
- (m) any 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; or
- (n) save as disclosed in this prospectus, a material contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) material non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

UNDERWRITING

- (q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group which may have a material adverse effect on our business, financial or trading position; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action; or
- (w) any matter or event resulting in a material breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and reasonable opinion of the Sole Global Coordinator:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

UNDERWRITING

- (ii) the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
 - (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sole Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that our Company shall, and each of our Controlling Shareholders and the executive Directors (for as long as their remaining as a Controlling Shareholder or an Executive Director (as the case maybe)) has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash

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settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”); or

- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules; or
- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules) or a collective basic; or
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or any of the acts set out in (c) after the expiry of the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein.

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Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally represented, warranted and undertaken to the Sole Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and our Company that except pursuant to the Capitalisation Issue and the Share Offer (including pursuant to the exercise of the Offer Size Adjustment Option):

- (a) he or it shall not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its close associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under notes (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sole Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other

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securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event (if any) and shall make a public disclosure by way of a press announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that except pursuant to the Share Offer or unless in compliance with the requirements of the Listing Rules, it or he shall not, and shall procure that the relevant registered shareholder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; or (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be Controlling Shareholders (as defined in the Listing Rules) on a collective basis.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution

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pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and

- (b) when it or he or the relevant requested shareholder(s) receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Our Company shall inform to the Stock Exchange in writing as soon as it has been informed if any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement 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 Listing Date), except pursuant to the Share Offer (including the exercise of Offer Size Adjustment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 205,200,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer

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Underwriting Agreement as described in the section headed “Lock-up undertakings to the Public Offer Underwriters” above in this section.

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Global Coordinator or its agent (for itself and on behalf of the Placing Underwriters), at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 34,200,000 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price under the Placing, to cover over-allocations, if any, in the Placing.

Commission and expenses

The Public Offer Underwriters will receive underwriting commissions of 8.0% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares.

Based on the Offer Price of HK\$0.42 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commissions and fees payable to the Underwriters, together with Stock Exchange Listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$29.6 million in total (assuming the Offer Size Adjustment Option is not exercised) and are payable by our Company.

The Selling Shareholder will pay underwriting commission in respect of the Sale Shares.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting arrangements and expenses – Commission and expenses” in this section.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

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SOLE SPONSOR'S INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation fee. The Sole Global Coordinator and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Commission and expenses" above.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, the Sole Sponsor is not interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, 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. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Ample Capital Limited is the Sole Sponsor of the Share Offer, and Alpha Financial Group Limited is the Sole Global Coordinator of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 22,800,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 205,200,000 Shares (comprising 177,200,000 New Shares offered by our Company and 28,000,000 Sale Shares offered by the Selling Shareholder) (subject to reallocation as mentioned below and the Offer Size Adjustment Option) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to professional, institutional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Structure and conditions of the Share Offer – Pricing and allocation” of this prospectus.

PRICING AND ALLOCATION

Offer price

The Offer Price will be not more than HK\$0.44 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.44 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,444.34 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.44 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) 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 about Wednesday, 10 October 2018 and in any event, no later than Monday, 15 October 2018.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before Monday, 15 October 2018, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate and together with our consent (for ourselves and on behalf of the Selling Shareholder), the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be announced on the websites of our Company and the Stock Exchange at www.sterlingapparel.com.hk and www.hkexnews.hk, respectively, notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" of this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the Placing will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the level of applications in the Public Offer and the basis of allocations of the Public Offer Shares are expected to be published on Thursday, 18 October 2018 on our Company's website at www.sterlingapparel.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in the section headed "How to apply for Public Offer Shares – 10. Publication of results" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional upon, among other things:

- the Listing Committee granting the approval of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Offer Size Adjustment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by our Company on the website of our Company and the Stock Exchange at www.sterlingapparel.com.hk and www.hkexnews.hk, respectively, on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Thursday, 18 October 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 19 October 2018, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 22,800,000 Shares at the Offer Price, representing 10% of the 228,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.85% of the total issued share capital of our Company immediately after completion of the Share Offer (assuming that the Offer Size Adjustment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the subsection headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” above.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Public Offer Shares initially being offered for subscription under the Public Offer after taking into account any reallocation in the number of Offer Shares allocated between the Public Offer and the Placing will be divided equally (subject to adjustment of odd lot size) into two pools: Pool A and Pool B, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 11,400,000 Public Offer Shares.

Reallocation

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (1) Where the Placing Shares are fully subscribed or oversubscribed:
 - (a) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate;
 - (b) if the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer shall be not more than double of the Shares initially allocated to the Public Offer, i.e. 45,600,000 Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer;
 - (c) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 68,400,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
 - (d) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 91,200,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
 - (e) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 114,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (2) Where the Placing Shares are undersubscribed:
- (a) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless fully underwritten by the Underwriters;
 - (b) if the Public Offer Shares are oversubscribed irrespective of the number of times, then Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer shall be not more than double of the Shares initially allocated to the Public Offer, i.e. 45,600,000 Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

In accordance with the requirements set out in Guidance Letter HKEx-GL91-18, if such reallocation is done other than pursuant to paragraph (1)(c), (1)(d) or (1)(e) above, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 45,600,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

If the Public Offer is not fully subscribed, the Offer Shares to be offered in the Public Offer and the Placing may be reallocated as between these offerings at the sole and absolute discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Offer Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 205,200,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

The Placing Underwriters are soliciting from prospective professional, institutional and other investors, indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as “book building”.

Allocation of Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, the Sole Global Coordinator will have the right, exercisable at any time before 5:00 p.m. on the business day immediately before the date of announcement with respect to the level of indication of interest in the Share Offer, to require the Company to allot and issue, at the Offer Price, up to an aggregate of 34,200,000 additional New Shares, representing 15% of the number of Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement.

The purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after the Listing and is not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the laws of Hong Kong).

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option have been exercised. In the event that the Offer Size Adjustment Option have not been exercised by the Sole Global Coordinator, our Company will confirm in such announcement that the Offer Size Adjustment Option have lapsed and cannot be exercised at any future date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. 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.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 October 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 October 2018. The Shares will be traded in board lots of 10,000 Shares. The stock code of the Shares will be 1825.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are 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 Share Offer;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 29 September 2018 to 12:00 noon on Friday, 5 October 2018 from:

- (i) any of the following addresses of the Public Offer Underwriters:

Alpha Financial Group Limited

Room A, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Great Roc Capital Securities Limited

Suite 1601–1603, 16/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Central
Hong Kong

AFG Securities Limited

Room B, 17/F
Fortune House
61 Connaught Road Central
Central
Hong Kong

Elstone Securities Limited

Suite 3712, 37/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Central
Hong Kong

Grand Partners Securities Limited

9/F
Connaught Harbourfront House
35–36 Connaught Road West
Sai Wan
Hong Kong

I Win Securities Limited

Room 1916
Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

Wealth Link Securities Limited

Unit B1
5/F Guangdong Investment Tower
148 Connaught Road Central
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank:

District	Branch name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central 26 Des Voeux Road Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road Mongkok
New Territories	Metroplaza Branch	Shop 473B, Level 4, Metroplaza 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 29 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

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 – Sterling Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, 2 October 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 3 October 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 4 October 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 5 October 2018 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Sole Global Coordinator (or its 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 Public 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, Companies Ordinance and the Memorandum and 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 Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer 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 Placing Shares under the Placing nor participated in the Placing;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public 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 Public 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 Public 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 Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible 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 Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to 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 Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public 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 Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- 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 Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, 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 bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong 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 Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the 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 our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.
- Tuesday, 2 October 2018 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 3 October 2018 – 8:00 a.m. to 8:30 p.m.
- Thursday, 4 October 2018 – 8:00 a.m. to 8:30 p.m.
- Friday, 5 October 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Saturday, 29 September 2018 until 12:00 noon on Friday, 5 October 2018 (24 hours daily, except on Friday, 5 October 2018, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR PUBLIC OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, 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 Hong Kong 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.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 5 October 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day² which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 October 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”, an announcement will be made in such event.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 18 October 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.sterlingapparel.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.sterlingapparel.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 18 October 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, 18 October 2018 to 12:00 midnight on Wednesday, 24 October 2018;
- by telephone enquiry line by calling (+852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 18 October 2018 to Tuesday, 23 October 2018 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 October 2018 to Monday, 22 October 2018 at all designated branches of the receiving bank.

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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the 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 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 Public Offer Shares is void:

The allotment of Public 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes 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 11,400,000 Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.44 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 18 October 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public 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 Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 18 October 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 Friday, 19 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the 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, 18 October 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 18 October 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 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 18 October 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, 18 October 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 Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. 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, 18 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

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, 18 October 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 Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Thursday, 18 October 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 October 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 18 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- 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, 18 October 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF STERLING GROUP HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Sterling Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-66, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018, and the statement of the financial position of the Company as at 31 March 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2016, 2017 and 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 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 purpose of the accountants’ report, a true and fair view of the Group’s financial position as at 31 March 2016, 2017 and 2018, and of the Company’s financial position as at 31 March 2018 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively.

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-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong

29 September 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year Ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	7	556,113	670,955	676,856
Cost of sales		(454,332)	(562,787)	(552,029)
Gross profit		101,781	108,168	124,827
Other revenue	8	6,717	6,556	4,880
Other gains and losses, net	9	(1,254)	10,500	1,578
Selling and distribution costs		(30,895)	(43,370)	(43,194)
General and administrative expenses		(41,923)	(39,392)	(50,283)
Listing expenses		–	(2,562)	(6,069)
Operating profit		34,426	39,900	31,739
Finance costs	10	(2,825)	(3,871)	(5,892)
Profit before income tax expense	11	31,601	36,029	25,847
Income tax expense	13	(5,447)	(4,915)	(5,835)
Profit for the year		<u>26,154</u>	<u>31,114</u>	<u>20,012</u>
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations		–	(13)	17
Remeasurement loss on defined benefit plan for the year		–	–	(118)
Other comprehensive income for the year		–	(13)	(101)
Total comprehensive income for the year		<u>26,154</u>	<u>31,101</u>	<u>19,911</u>
Total comprehensive income for the year attributable to:				
Owners of the Company		<u>26,154</u>	<u>31,101</u>	<u>19,911</u>

2. Combined Statements of Financial Position

	Notes	As at 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets				
Prepaid insurance premium	16	7,816	7,895	7,966
Property, plant and equipment	17	69,646	61,560	59,864
Prepayment for leasehold land	19	–	16,275	–
Payment for leasehold land held for own use under operating lease	18	55,441	6,642	23,907
Deferred tax assets	31	–	–	15
Goodwill	20	3,633	16,792	16,792
Total non-current assets		<u>136,536</u>	<u>109,164</u>	<u>108,544</u>
Current assets				
Inventories	21	35,266	35,432	39,742
Trade and other receivables	22	53,521	96,981	143,676
Amounts due from related parties	23	13,471	24,209	4,272
Tax recoverable		6,742	6,588	1,720
Cash and cash equivalents	24	27,477	47,140	66,536
		<u>136,477</u>	<u>210,350</u>	<u>255,946</u>
Assets classified as held for sale	25	–	92,670	–
Total current assets		<u>136,477</u>	<u>303,020</u>	<u>255,946</u>
Total assets		<u>273,013</u>	<u>412,184</u>	<u>364,490</u>
Current liabilities				
Trade, bills and other payables	26	65,648	93,236	84,486
Amounts due to shareholders	27	95,501	99,501	8,428
Amounts due to related parties	28	5,855	–	1,049
Bank borrowings	29	69,514	149,045	197,176
Income tax payable		–	561	2,565
Total current liabilities		<u>236,518</u>	<u>342,343</u>	<u>293,704</u>
Net current liabilities		<u>(100,041)</u>	<u>(39,323)</u>	<u>(37,758)</u>

		As at 31 March		
		2016	2017	2018
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities				
Defined benefit obligation	30	–	1,999	2,252
Deferred tax liabilities	31	1,051	1,297	–
Total non-current liabilities		<u>1,051</u>	<u>3,296</u>	<u>2,252</u>
NET ASSETS		<u>35,444</u>	<u>66,545</u>	<u>68,534</u>
Capital and reserves attributable to owners of the Company				
Share capital	32	–	–	–*
Reserves	33	35,444	66,545	68,534
TOTAL EQUITY		<u>35,444</u>	<u>66,545</u>	<u>68,534</u>

* Represents amount less than HK\$1,000

3. Statements of Financial Position of the Company

	<i>Notes</i>	As at 31 March 2018 HK\$'000
Non-current asset		
Interest in a subsidiary	34	<u>68,534</u>
Total non-current asset		<u>68,534</u>
Current asset		
Amounts due from shareholders	27	<u>—*</u>
Total current asset		<u>—*</u>
Total assets		<u>68,534</u>
Net assets		<u><u>68,534</u></u>
Capital and reserves		
Share capital	32	—*
Reserves	33	<u>68,534</u>
Total equity		<u><u>68,534</u></u>

* Represents amount less than HK\$1,000

4. Combined Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(Note 32)</i>	Capital reserve <i>HK\$'000</i> <i>(Note 33)</i>	Contributed reserve <i>HK\$'000</i> <i>(Note 33)</i>	Translation reserve <i>HK\$'000</i> <i>(Note 33)</i>	Remeasurement reserve <i>HK\$'000</i> <i>(Note 33)</i>	Retained earnings <i>HK\$'000</i> <i>(Note 33)</i>	Total equity <i>HK\$'000</i>
Balance as at 1 April 2015	-	-	10,000	-	-	19,290	29,290
Profit for the year	-	-	-	-	-	26,154	26,154
Total comprehensive income for the year	-	-	-	-	-	26,154	26,154
Dividends <i>(Note 14)</i>	-	-	-	-	-	(20,000)	(20,000)
Balance as at 31 March 2016 and 1 April 2016	-	-	10,000	-	-	25,444	35,444
Profit for the year	-	-	-	-	-	31,114	31,114
Exchange difference arising on translation of foreign operations	-	-	-	(13)	-	-	(13)
Total comprehensive income for the year	-	-	-	(13)	-	31,114	31,101
Dividends <i>(Note 14)</i>	-	-	-	-	-	-	-
Balance as at 31 March 2017 and 1 April 2017	-	-	10,000	(13)	-	56,558	66,545
Profit for the year	-	-	-	-	-	20,012	20,012
Exchange difference arising on translation of foreign operations	-	-	-	17	-	-	17
Acquisition of a subsidiary by share allotment	-	-	78	-	-	-	78
Remeasurement loss on defined benefit plan for the year	-	-	-	-	(118)	-	(118)
Total comprehensive income for the year	-	-	78	17	(118)	20,012	19,989
Dividends <i>(Note 14)</i>	-	-	-	-	-	(18,000)	(18,000)
Balance as at 31 March 2018	-	-	10,078	4	(118)	58,570	68,534

5. Combined Statements of Cash Flows

	Year ended 31 March		
	2016	2017	2018
Note	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before income tax expense	31,601	36,029	25,847
Adjustments for:			
Amortisation of prepaid insurance premium	218	220	222
Depreciation of property, plant and equipment	6,264	7,110	11,296
Amortisation of payment for leasehold land held for own use under operating lease	1,449	1,449	570
Gain on bargain purchase	–	(8,619)	–
Provision for defined benefits plan	–	–	431
Interest income	(1)	(3)	(20)
Impairment/(reversal of impairment) loss on trade receivables, net	1,257	(1,485)	–
Impairment/(reversal of impairment) loss on other receivables, net	111	(111)	–
Imputed interest income from prepaid insurance premium	(299)	(299)	(293)
Loss/(gain) on disposal of property, plant and equipment	1	–	(1)
Write-down/(reversal of written down) of inventories	186	89	(74)
Finance costs	2,825	3,871	5,892
	<u>43,612</u>	<u>38,251</u>	<u>43,870</u>
Operating profits before working capital changes	43,612	38,251	43,870
(Increase)/decrease in inventories	(20,766)	5,017	(4,237)
Increase in trade and other receivables	(9,043)	(39,764)	(46,695)
Decrease/(increase) in amounts due from related parties	1,858	5,666	(267)
Increase/(decrease) in trade, bills and other payables	14,866	15,129	(8,751)
Increase/(decrease) in amounts due to related parties	5,855	(22,053)	17,791
	<u>5,855</u>	<u>(22,053)</u>	<u>17,791</u>
Cash generated from operations	36,382	2,246	1,711
Settlement of defined benefit obligation	–	(11)	(290)
Income tax paid	(10,874)	(3,954)	(274)
	<u>(10,874)</u>	<u>(3,954)</u>	<u>(274)</u>
Net cash generated from/(used in) operating activities	<u>25,508</u>	<u>(1,719)</u>	<u>1,147</u>

	Note	Year ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Cash flows from investing activities				
Interest received		1	3	20
Cash advances to related parties		–	(7,466)	(4,004)
Repayment from related parties		49	–	–
Purchases of property, plant and equipment		(3,649)	(1,184)	(9,434)
Addition of payment for leasehold land held for own use under operating lease		–	–	(1,560)
Acquisition of a subsidiary, net of cash acquired		–	(49,665)	–
Net cash used in investing activities		<u>(3,599)</u>	<u>(58,312)</u>	<u>(14,978)</u>
Cash flows from financing activities				
Cash advance from a related party		–	–	7,466
Repayment to a related party		(8,155)	–	–
Repayment to a shareholder		(4,000)	–	(7,403)
Cash advance from a shareholder		–	4,000	78
Interim dividend paid		(20,000)	–	(9,000)
Proceeds from bank borrowings		188,191	428,791	499,501
Repayment of bank borrowings		(185,225)	(349,260)	(451,370)
Interest paid		(2,825)	(3,871)	(5,892)
Net cash (used in)/generated from financing activities	41	<u>(32,014)</u>	<u>79,660</u>	<u>33,380</u>
Net (decrease)/increase in cash and cash equivalents		(10,105)	19,629	19,549
Cash and cash equivalents at the beginning of year		37,582	27,477	47,140
Effect of change in foreign exchange rate		<u>–</u>	<u>34</u>	<u>(153)</u>
Cash and cash equivalents at the end of year		<u>27,477</u>	<u>47,140</u>	<u>66,536</u>
Analysis of the balances of cash and cash equivalents:				
Bank balances and cash		<u>27,477</u>	<u>47,140</u>	<u>66,536</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND BASIS OF PRESENTATION****(a) General information**

The Company was incorporated in the Cayman Islands on 6 June 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is 18–20/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products in the market of the United States of America (the “Listing Business”).

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the trading of apparel products was carried out by Sterling Apparel Limited. Before the completion of the Reorganisation, Sterling Apparel was controlled by Mr. Siu Chi Wai (“Mr. CW Siu”) and Rainbow Galaxy Limited (“Rainbow Galaxy”) who held controlling interests in the Sterling Apparel throughout the Track Record Period.

In preparation for the listing of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 18 September 2018. The major steps of the Reorganisation are described below:

(i) Incorporation of Holdings

On 6 June 2017, the Company was incorporated in the Cayman Island as an exempted company with limited liability under the Companies Law, with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one Share was allotted and issued to the initial subscriber, an Independent Third Party. On the same date, the said Share was transferred to Moonlight Global Holdings Limited (“Moonlight”) and one Share was allotted and issued to Rainbow Galaxy.

(ii) Acquisition of Zhi Wei (Guangzhou) Garment Co., Limited (“Zhi Wei”) by Elegant Maker Limited (“Elegant Maker”)

On 17 December 2016, Mr. Wong Kwong Sang (“Mr. KS Wong”) and Mr. Choi Siu Wai William (“Mr. William Choi”) (as vendor) and Elegant Maker (as purchaser) entered into a sale and purchase agreement pursuant to which Mr. KS Wong and Mr. William Choi each respectively sold, and Elegant Maker acquired, 50% equity interests in Zhi Wei at a cash consideration of HKD8,000,000 in total. The said transfer of shares to Elegant Maker was completed on 31 December 2016 (the “PRC Acquisition”).

Upon completion of the PRC Acquisition, the equity interests in Zhi Wei shall be wholly owned by Elegant Maker and indirectly wholly owned by Sterling.

(iii) Share acquisition of Chiefway (Private) Limited (“Chiefway (PVT)”) by Sterling Apparel and assets and liabilities acquisition of Chiefway Lanka (Private) Limited (“Chiefway Lanka”) by Chiefway Katunayake (Private) Limited (“Chiefway Katunayake”)

On 28 February 2017, Mr. Siu Yik Ming (“Mr. YM Siu”) (as vendor) and Sterling Apparel (as purchaser) entered into a sale and purchase agreement pursuant to which Sterling Apparel on the same date acquired all the issued shares in Chiefway (PVT) from Mr. YM Siu at a consideration of USD1,200,000.

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser) entered into a sale and purchase agreement pursuant to which Chiefway Katunayake acquired the identifiable assets and liabilities of Chiefway Lanka at a consideration of USD4,606,452.

(iv) Incorporation of (1) Moonlight; (2) Excel Tops Limited (“Excel Tops”); (3) Winfield Group Limited (“Winfield”); (4) Win 18 Limited (Win 18); (5) Win 19 Limited (“Win 19”) and (6) Win 20 Limited (“Win 20”)

On 19 May 2017, Moonlight was incorporated in the British Virgin Islands (“BVI”) with limited liability, with an authorised share capital of 50,000 shares of single class of par value of US\$1 each. On 16 May 2017, one share in Moonlight was allotted and issued to Mr. CW Siu, credited as fully paid.

On 11 May 2017, Excel Tops was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1 each. On 23 May 2017, two shares in Excel Tops were allotted and issued; one of which to Moonlight and one of which to Rainbow Galaxy, both credited as fully paid.

On 11 May 2017, Winfield was incorporated in Hong Kong with limited liability. On the same date, 50 shares of Winfield were allotted and issued to Mr. CW Siu and 50 shares of Winfield were allotted and issued to Rainbow Galaxy. It is an investment company that holds the Property Holdings Companies – Win 18, Win 19 and Win 20.

On 19 May 2017, Win 18, Win 19 and Win 20 were incorporated in Hong Kong with limited liability; Win 18, Win 19 and Win 20 are all wholly owned by Winfield.

(v) Acquisition of the shares in Sterling Apparel by Winfield

On 24 May 2017, Mr. CW Siu and Rainbow Galaxy (as vendor) and Winfield (as purchaser) entered into a sale and purchase agreement pursuant to which each of Mr. CW Siu and Rainbow Galaxy transferred 50% shareholding interests in Sterling Apparel to Winfield in consideration of Winfield allotting and issuing, credit as fully paid, 50 shares of Winfield to Moonlight (at the direction of Mr. CW Siu) and 50 shares of Winfield to Rainbow Galaxy.

(vi) Transfer of the properties from Sterling Apparel to Win 18, Win 19 and Win 20

On 25 May 2017, Sterling Apparel (as vendor) and each of Win 18, Win 19 and Win 20 (as purchasers) entered into a sale and purchase agreement respectively pursuant to which all the interest, titles and rights of the properties were transferred to Win 18, Win 19 and Win 20 respectively on 25 May 2017. The properties owned by Win 18, Win 19 and Win 20 respectively.

The consideration of the said sale and purchase agreements were set off by the debts owed by Sterling Apparel to Win 18, Win 19 and Win 20 respectively, on a dollar-to-dollar basis.

(vii) Acquisition of Sterling Apparel by Excel Tops

On 12 June 2017, Winfield (as vendor) and Excel Tops (as purchaser) entered into a sale and purchase agreement pursuant to which Winfield transferred 100% shareholding interests in Sterling Apparel to Excel Tops in consideration of Excel Tops allotting and issuing, credit as fully paid, 5,000 shares of Excel Tops to Moonlight and 5,000 shares of Excel Tops to Rainbow Galaxy.

(viii) Acquisition of Excel Tops by the Company

On 18 September 2018, Moonlight and Rainbow Galaxy (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement pursuant to which each of Moonlight and Rainbow Galaxy transferred 50% shareholding interests in Excel Tops to the Company in consideration of the Company allotting and issuing, credit as fully paid, 49 shares of the Company to Moonlight and 49 shares of the Company to Rainbow Galaxy.

(ix) Increase in authorised share capital of the Company

The authorised share capital of the Company will be increased from HK\$380,000 to HK\$80,000,000 by creation of an additional 7,962,000,000 Holdings Shares of par value of HK\$0.01 each.

(x) Share Offer and capitalisation Issue

The Company will offer 200,000,000 new Holdings Shares in total (the "Share Offer") to the public, representing a total of 28.5% of the issued share capital of the Company as enlarged by the Share Offer and the capitalisation Issue.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities.

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Name of statutory auditors
		Directly	Indirectly			
Excel Tops	British Virgin Islands ("BVI"), 11 May 2017, limited liability company	100%	–	Registered and fully paid capital USD20,000	Investment holding, BVI	Note (i)
Sterling Apparel	Hong Kong ("HK"), 19 June 2012, limited liability company	–	100%	Registered and fully paid capital HK\$10,000,000	Trading of apparel products, HK	Note (ii)
Chiefway International	HK, 21 January 2004, limited liability company	–	100%	Registered and fully paid capital HK\$400,000	Manufacturing and trading of apparel products, HK	Note (ii)
Elegant Maker	HK, 22 January 2016, limited liability company	–	100%	Registered and fully paid capital HK\$1	Investment holding, HK	Note (iii)
廣州志威製衣有限公司 (Zhi Wei (Guangzhou) Garment Co., Limited*)	The People's Republic of China (the "PRC"), 5 February 2007 limited liability company	–	100%	Registered and fully paid capital HK\$8,000,000	Manufacturing and trading of apparel products, the PRC	Note (iv)
Chiefway Katunayake	Sri Lanka, 31 March 2017, limited liability company	–	100%	Registered and fully paid capital Sri Lankan Rupee ("LKR") 696,190,000	Manufacturing and trading of apparel products, Sri Lanka	Note (v)
Chiefway (PVT)	Sri Lanka, 16 September 2011, limited liability company	–	100%	Registered and fully paid capital LKR98,791,540	Manufacturing and trading of apparel products, Sri Lanka	Note (vi)

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Name of statutory auditors
		Directly	Indirectly			
Winfield	HK, 11 May 2017, limited liability company	-	- [#]	Registered and fully paid capital HK\$200	Investment holding, HK	Note (vii)
Win 18	HK, 19 May 2017, limited liability company	-	- [#]	Registered and fully paid capital HK\$1	Investment in property, HK	Note (vii)
Win 19	HK, 19 May 2017, limited liability company	-	- [#]	Registered and fully paid capital HK\$1	Investment in property, HK	Note (vii)
Win 20	HK, 19 May 2017, limited liability company	-	- [#]	Registered and fully paid capital HK\$1	Investment in property, HK	Note (vii)

* English name of the subsidiary is translated directly from its corresponding official Chinese name.

[#] The subsidiaries were disposed to Moonlight and Rainbow Galaxy with beneficial owners, Mr. CW Siu and Mr. William Choi respectively, who are also the shareholders of the Group and such sub-group of subsidiaries are formally carved out from the Group on 12 June 2017.

Notes:

- (i) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (ii) The statutory financial statements of these subsidiaries for the years ended 31 March 2016, 2017 and 2018 were audited by BDO Limited in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.
- (iii) The statutory financial statements of this subsidiary for the period ended 31 March 2017 and the year ended 31 March 2018 were audited by BDO Limited in accordance with the HKFRSs issued by the HKICPA.
- (iv) The statutory financial statements of this subsidiary for the years ended 31 December 2016 and 2017 were audited by Guangzhou Yeqin Certified Public Accountants Co., Ltd.
- (v) The statutory financial statements of this subsidiary for the year ended 31 March 2018 was audited by BDO Partners "Charter House".
- (vi) The statutory financial statements of this subsidiary for the years ended 31 March 2016 and 2017 were audited by Ernst & Young and 31 March 2018 was audited by BDO Partners "Charter House".
- (vii) No statutory audited financial statements have been prepared for these subsidiaries since its date of incorporation as they have not been involved in any significant business except for the Reorganisation.

Except for Zhi Wei, which adopted 31 December as its statutory financial year end date to fulfill local statutory requirement, all companies now comprising the Group has adopted 31 March as their statutory financial year end date.

(c) Basis of presentation

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, development and Reorganisation” to the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period by way of share swaps with the existing shareholders of Excel Tops. The share swaps have no substance and do not form a business combination, and accordingly, the Historical Financial Information of the Company was combined with that of Excel Top using the predecessor carrying amounts.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, where there is a shorter period, and up to the dates of disposal. All material intra-group transactions and balances have been eliminated on combination.

The combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Track Record Period. In preparing this Historical Financial Information, the Group has early adopted all new or revised HKFRSs effective for annual period beginning on or after 1 April 2017 consistently throughout the Track Record Period.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis. For the purpose of the report, the Historical Financial Information has been prepared and presented using carrying amounts of assets and liabilities of the Group as a result of the Reorganisation.

(c) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Hong Kong dollars (“HK\$”) is the functional currency for the Company. The Company’s primary subsidiaries were incorporated in Hong Kong, the PRC and Sri Lanka and these subsidiaries considered United States dollars (“US\$”), Renminbi (“RMB”) and Sri Lankan Rupee (“LKR”) as their functional currencies. The Historical Financial Information is presented in HK\$, rounded to the nearest thousand. The directors of the Group consider that presenting the Historical Financial Information in HK\$ is preferable as the Company intends to list its shares on the Stock Exchange and most of its potential investors are located in Hong Kong.

(d) Going Concern

The Group’s current liabilities exceeded its current assets by HK\$100 million, HK\$39 million and HK\$38 million as at 31 March 2016, 2017 and 2018 respectively. The directors of the Company have reviewed the Group’s cash flow forecast covering a period of not less than twelve months from 31 March 2018; and have

given due consideration to the liquidity of the Group and adopted a going concern basis in preparing the Historical Financial Information based on the following assessments:

- (i) As at 31 March 2018, the Group's total bank borrowings amounted to HK\$238 million of which HK\$195 million will be due within twelve months from 31 March 2018. The Group has not experienced any significant difficulties in renewing its bank borrowings upon their maturities. In addition, all the Group's lending banks have advised their intention in writing, though not legally binding, for renewal of the facilities. There is no indication that the banks will not renew the existing bank borrowings if the Group applies for the renewal. Subsequent to the balance sheet date and up to the date of this report, the Group had renewed borrowings of approximately HK\$88 million.
- (ii) The directors also expect that sufficient sales orders will be secured in the coming year such that net operating cash inflows will be generated from its existing business.

Accordingly, the Group expects to have sufficient working capital for its present requirements for at least the next 12 months from 31 March 2018. The shareholders have undertaken to provide continuing financial support, including not to recall the amounts due to them until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern. Based on the above consideration, the directors of the Company are of the opinion that the Group will continue as a going concern and have prepared the Historical Financial Information on a going concern basis.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

For the purpose of preparing and presenting the Historical Financial Information, the Group has adopted all applicable new/revise HKFRSs and amendments effective for the accounting periods commencing from 1 April 2017 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new and amendments to HKFRSs and new interpretations that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs and new interpretations.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (clarifications to HKFRS 15) ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and its Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2016-2017 Cycle ²

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Effective for annual periods beginning on or after 1 January 2021

Further details about those HKFRSs that are not yet effective and are expected to be applicable to the Group are as follows:

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Group anticipate all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Group anticipate that the application of the expected credit 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 costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained earnings as at 1 April 2018, with no requirement to restate prior periods. The directors of the Group do not intend to restate comparative information for the application of HKFRS 9 when preparing the combined financial statements of the Group for the year ending 31 March 2019.

Based on the assessment by the directors of the Group, if the expected credit loss model were to be applied by the Group, the Group's net assets as at 1 April 2018 would decrease by less than 1% of the amount as at 31 March 2018 which is mainly attributable to expected credit losses provision on trade and other receivables,

net of deferred tax impact. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that may subject to change until the Group finalises its financial statements for the year ending 31 March 2019.

Except for abovementioned, the directors of the Group anticipate that the adoption of HKFRS 9 in the future will not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2018.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Group intend to apply the limited retrospective method with cumulative effect of initial application adjusted in the opening retained earnings as at 1 April 2018. The directors of the Group have performed an assessment on the impact of the financial performance and position of the Group in the application of HKFRS 15 and anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Group do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in Note 40, the total operating lease commitment of the Group as at 31 March 2018 amounted to HK\$43,332,000 in which HK\$43,271,000 were with original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Group do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the Group's financial position and financial performance in future. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that may subject to change until the Group finalises its financial statements for the year ending 31 March 2020.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies 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 thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)–Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as HKFRS 9 described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of consolidation**

The acquisition method of accounting is used for acquisitions of subsidiaries or businesses other than asset acquisition and business combination under common control.

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interest that represents a present ownership interest in the subsidiary in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit

from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period. The useful lives are as follows:

Leasehold land	Over the remaining terms of the lease including renewal periods
Land and buildings	Over the shorter of the term of the lease or 20–50 years
Leasehold improvements	5 years
Plant and machinery	5–10 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3–10 years
Motor vehicles	5–10 years

For the year ended 31 March 2016, a subsidiary of the Group revised the estimated useful life of land and building from 25 years to 43 years to better reflect the useful life of land and building. The effect of the change in accounting estimate in the current year was a decrease in depreciation charge of HK\$936,000.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected arise from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(g) Financial Instruments***(i) Financial assets***

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Deposit and prepayment for a life insurance policy

Life insurance premium and relevant charges are charged as expenses over the relevant period being insured, with a corresponding reduction in the amounts prepaid to the insurance company. Interest income from the insurance deposit is accrued on a time basis, by reference to the deposit outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the deposit to the net carrying amount of the deposit on initial recognition.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that a financial asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade, bills and other payables, borrowings and other monetary liabilities, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue from sales of goods as well as sales of sample are recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

Interest income from banks imputed interest income from prepaid insurance premium are accrued on a time basis on the principal outstanding amount at the applicable interest rate.

Claims income is recognised when the defective raw materials from suppliers are discovered by the Group and the right to receive such compensation is established.

(j) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Track Record Period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(l) Employee costs

(i) Short term employee costs

Short-term employee costs are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to the Mandatory Provident Fund Scheme, Employees' Provident Fund, Employees' Trust Fund in Hong Kong and Sri Lanka respectively and PRC stated-managed retirement benefits scheme in the PRC are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Defined benefit retirement plan

Net obligation in respect of defined benefit retirement plans in Sri Lanka is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the end of each of the Track Record Period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligation. The calculation is performed annually using the projected unit credit method.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) Impairment of other assets (other than financial assets)

At the end of each of the Track Record Period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- prepaid insurance premium;
- property, plant and equipment;
- prepayment for leasehold land; and
- payment for leasehold land held for own use under operating lease.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Cash and cash equivalents

Cash comprises cash in hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Non-current assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(q) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the managements are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies***(i) Determination of functional currency***

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(ii) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or written down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(iii) Estimated impairment of trade and other receivables

The assessment of impairment of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers were to deteriorate, resulting in an impairment of their ability to make payments, impairment may be required.

(iv) Net realisable value of inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs necessary to mark the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

(v) Income taxes

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION**Operating segments**

During the Track Record Period, the Group was principally engaged in the manufacturing and trading of apparel products. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment historical financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

The Group's operations are mainly located in Hong Kong, the PRC and Sri Lanka.

Geographical information about the Group's customers

The Group's revenue from external customers are mainly located in the United States of America (the "USA").

Information about the Group's non-current assets

Information about the Group's non-current assets other than prepaid insurance premium is presented based on the client's location of the assets:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	123,007	26,800	21,628
PRC	5,713	17,387	16,353
Sri Lanka	–	57,082	62,597
	<u>128,720</u>	<u>101,269</u>	<u>100,578</u>

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	531,124	465,459	339,548
Customer B	N/A*	186,749	285,342
	<u>531,124</u>	<u>652,208</u>	<u>624,890</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group during the Track Record Period.

7. REVENUE

The Group's revenue represents the net invoiced value of goods sold, net of discounts which recognised in accordance with accounting policy set out in Note 4(i) during the Track Record Period.

8. OTHER REVENUE

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Bank interest income	1	3	20
Imputed interest income from prepaid insurance premium	299	299	293
Sample sales income	5,818	4,989	4,048
Claims income	599	1,265	519
	<u>6,717</u>	<u>6,556</u>	<u>4,880</u>

9. OTHER GAINS AND LOSSES, NET

The Group's other gains and losses, net, recognised during the Track Record Period are as follows:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
(Impairment)/reversal of impairment loss recognised on other receivables, net	(111)	111	–
(Impairment)/reversal of impairment loss recognised on trade receivables, net	(1,257)	1,485	–
(Loss)/gain on disposal of property, plant and equipment	(1)	–	1
Gain on bargain purchase (Note 36)	–	8,619	–
Exchange gains, net	115	285	1,577
	<u>(1,254)</u>	<u>10,500</u>	<u>1,578</u>

10. FINANCE COSTS

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Interest on bank borrowings			
– trust receipt loans	1,865	2,722	3,588
– term and revolving loans	960	1,148	2,303
– bank overdraft	–	1	1
	<u>2,825</u>	<u>3,871</u>	<u>5,892</u>

11. PROFIT BEFORE INCOME TAX EXPENSE

The Group's operating profit is arrived at after charging/(crediting):

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Auditor's remuneration	193	250	485
Depreciation of property, plant and equipment (Note (i))	6,264	7,110	11,296
Amortisation of payment for leasehold land held for own use under operating lease (Note (ii))	1,449	1,449	570
Amortisation of prepaid insurance premium	218	220	222
Impairment/(Reversal of impairment) loss on trade receivables, net	1,257	(1,485)	–
Impairment/(Reversal of impairment) loss on other receivables, net	111	(111)	–
Imputed interest income from prepaid insurance premium	(299)	(299)	(293)
Cost of inventories recognised as expense (Note (iii))	454,332	562,787	552,029
Listing expenses	–	2,562	6,069
Write-down/(Reversal of written down) of inventories	186	89	(74)
Minimum lease payment under operating lease in respect of:			
– Motor vehicles	480	497	536
– Land and buildings	330	346	1,062
Employee costs (Note (iv))	42,477	62,482	135,122
	<u>42,477</u>	<u>62,482</u>	<u>135,122</u>

Notes:

- (i) For the years ended 31 March 2016, 2017 and 2018, depreciation charges of nil, HK\$600,000 and HK\$7,074,000 included in direct operating costs and HK\$6,264,000, HK\$6,510,000 and HK\$4,222,000 included in general and administrative expenses.
- (ii) For the years ended 31 March 2016, 2017 and 2018, amortisation charges of nil, nil, and HK\$349,000 included in direct operating costs and HK\$1,449,000, HK\$1,449,000 and HK\$221,000 included in general and administrative expenses.
- (iii) For the year ended 31 March 2016, cost of inventories recognised as expense includes HK\$110,039,000 of subcontracting charge, which is also included in the amount disclosed above.

For the years ended 31 March 2017 and 2018, cost of inventories recognised as expense includes HK\$128,467,000 and HK\$118,351,000 of subcontracting charge, depreciation, amortisation charges, staff cost and manufacturing overhead, which are also included in the respective total amounts disclosed above for each types of expenses.

- (iv) For the years ended 31 March 2016, 2017 and 2018, employee costs of nil, HK\$10,511,000 and HK\$75,381,000 included in direct operating costs, HK\$17,020,000, HK\$28,046,000 and HK\$27,036,000 included in selling and distribution costs, and HK\$25,457,000, HK\$23,925,000 and HK\$32,705,000 included in general and administrative expenses respectively.

12. EMPLOYEE COSTS

Employee costs (including directors' emoluments (Note 12(i)) comprise:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Wages and salaries	39,281	56,793	117,395
Short-term non-monetary benefits	2,013	2,539	7,667
Contributions to defined contribution retirement plans	1,183	3,141	9,629
Contributions to defined benefit retirement plans	–	9	431
	<u>42,477</u>	<u>62,482</u>	<u>135,122</u>

(i) Directors' emoluments

The emoluments of each of the directors for the Track Record Period are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2016:				
Executive directors:				
Ms. Wong Mei Wai Alice (Note (a))	–	3,359	18	3,377
Mr. William Choi (Note (b))	–	–	–	–
	<u>–</u>	<u>3,359</u>	<u>18</u>	<u>3,377</u>

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2017:				
Executive directors:				
Ms. Wong Mei Wai Alice <i>(Note (a))</i>	–	3,259	18	3,277
Mr. William Choi <i>(Note (b))</i>	–	–	–	–
	–	3,259	18	3,277
	–	3,259	18	3,277
Year ended 31 March 2018:				
Executive directors:				
Ms. Wong Mei Wai Alice <i>(Note (a))</i>	–	3,274	18	3,292
Mr. YM Siu <i>(Note (c))</i>	–	726	12	738
Mr. Chung Sam Kwok Wai <i>(Note (d))</i>	–	1,178	12	1,190
	–	5,178	42	5,220
Non-executive director:				
Mr. William Choi <i>(Note (b))</i>	–	–	–	–
Independent non-executive directors:				
Mr. Chan Kee Huen Michael <i>(Note (e))</i>	–	–	–	–
Mr. Cheng King Hoi Andrew <i>(Note (e))</i>	–	–	–	–
Mr. Ko Ming Tung Edward <i>(Note (e))</i>	–	–	–	–
	–	5,178	42	5,220

Notes:

- (a) Ms. Wong Mei Wai Alice was appointed as executive director of Sterling Apparel Limited and the Company on 19 June 2012 and 31 July 2017 respectively.
- (b) Mr. William Choi was appointed as executive director of Sterling Apparel Limited and non-executive director of the Company on 19 September 2012 and 31 July 2017 respectively.
- (c) Mr. YM Siu was appointed as executive director of the Company on 31 July 2017.
- (d) Mr. Chung Sam Kwok Wai was appointed as executive director of the Company on 31 July 2017.
- (e) Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward were appointed as independent non-executive directors of the Company on 21 September 2018.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group include one director for the years ended 31 March 2016 and 2017 and two directors for the year ended 31 March 2018, whose emoluments are reflected in the analysis as shown. The emoluments payable to the remaining four individuals for the years ended 31 March 2016 and 2017 and remaining three individuals for the year ended 31 March 2018 respectively are as follows:

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Wages, salaries, bonuses and benefits in kind	5,720	6,849	5,852
Contribution to retirement benefits schemes	72	71	63
	<u>5,792</u>	<u>6,920</u>	<u>5,915</u>

The emoluments fell within the following bands:

	Number of Individuals		
	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Emolument bands			
Nil–HK\$1,000,000	1	–	–
HK\$1,000,001–HK\$1,500,000	–	–	–
HK\$1,500,001–HK\$2,000,000	3	4	4
HK\$2,000,001–HK\$3,000,000	–	–	–
HK\$3,000,001–HK\$3,500,000	1	1	1
HK\$3,500,001–HK\$4,000,000	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. INCOME TAX EXPENSE

The amount of income tax expense in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Hong Kong profits tax			
– Current taxation	5,934	4,949	6,785
– (Over)/under provision in prior years	(490)	(881)	566
	<u>5,444</u>	<u>4,068</u>	<u>7,351</u>
Overseas profits tax			
– Current taxation	–	601	328
– Over provision in prior years	–	–	(532)
	–	601	(204)
Deferred tax (<i>Note 31</i>)			
– Current year	3	246	(1,312)
Income tax expense	<u>5,447</u>	<u>4,915</u>	<u>5,835</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to any income tax.

For the years ended 31 March 2016, 2017 and 2018, Hong Kong profits tax for the Hong Kong subsidiaries has been provided at the rate of 16.5% on the estimated assessable profits. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Enterprise Income Tax (“EIT”) of the subsidiary of the Group is calculated based on the statutory tax rate of 25% on the assessable profits for the Track Record Period.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 12% of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka’s Inland Revenue Act No. 10 of 2006 which was effective on 31 March 2006.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before income tax	31,601	36,029	25,847
Tax calculated at the profit tax rate of 16.5% applicable to profits	5,214	5,945	4,265
Effect of different tax rates of subsidiaries operating in other countries	–	205	(48)
Effect of tax exemption and reduction	(40)	(184)	(636)
Tax effect of expenses not deductible for tax purposes	829	1,308	2,814
Tax effect of revenue not taxable for tax purposes	(66)	(1,499)	(400)
(Over)/under provision in respect of prior years	(490)	(881)	34
Tax effect of temporary difference not recognised	–	21	(53)
Utilisation of tax losses previously not recognised	–	–	(141)
Income tax expense	5,447	4,915	5,835

14. DIVIDENDS

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividends	20,000	–	18,000

No dividend has been paid or declared by the Company since its corporation.

For the purpose of this report, dividends represented interim dividends declared and paid by the subsidiaries now comprising the Group to the equity holders of the subsidiaries, for the years ended 31 March 2016, 2017 and 2018 amounting to HK\$20,000,000, nil and HK\$18,000,000, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of the report.

15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1 above.

16. PREPAID INSURANCE PREMIUM

In February 2013, Sterling Apparel entered into a life insurance policy (the "Policy") with an insurance company to insure a director of the Group, Ms. Wong Mei Wai Alice. Under the Policy, the beneficiary and policy holder is Sterling Apparel and the total insured sum is US\$3,000,000 (equivalent to HK\$23,250,000).

The principal terms of the Policy are as follow:

- (i) The Group is required to pay an upfront payment of US\$1,000,000 (equivalent to HK\$7,750,000) (the "Upfront Payment") and a single premium charge (the "Prepaid Premium") at inception of the policy amounting to US\$60,000 (equivalent to HK\$465,000).
- (ii) The Group can terminate the policy at any time based on the net carrying value of the policy at the date of withdrawal, which is determined by the Upfront Payment, plus accumulated interest earned and minus the accumulated monthly policy expense charges (the "Policy Expense Charges").
- (iii) If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge (the "Surrender Charge").

At initial recognition, the balance was comprised of three components:

- (i) An interest-bearing deposit (the "Deposit") amounting to US\$697,000 (equivalent to HK\$5,402,000) which based on the Upfront Payment less the prepayment of the accumulated Policy Expense Charges and the Surrender Charge at the Withdrawal Date (the "Prepaid Charges").
- (ii) The Prepaid Charges amounted to US\$243,000 (equivalent to HK\$1,883,000).
- (iii) The Prepaid Premium at inception of the policy amounted to US\$60,000 (equivalent to HK\$465,000).

The deposit is carried at amortised cost with an effective interest rate of 4% per annum which based on the discounted future cash receipts through the expected life of the Policy. While the Premium Charges and the Prepaid Premium will be amortised to profit or loss through the expected life of the Policy.

The carrying values of the components for the years ended 31 March 2016, 2017 and 2018 are set out below:

		As at 31 March		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposit		6,055	6,275	6,487
Prepaid Charges	– non-current portion	1,412	1,299	1,186
	– current portion (<i>Note 22</i>)	113	113	113
Prepaid Premium	– non-current portion	349	321	293
	– current portion (<i>Note 22</i>)	28	28	28
		<u>7,957</u>	<u>8,036</u>	<u>8,107</u>

During the Track Record Period, the imputed interest income and the amortisation of the prepaid insurance expenses (included the Prepaid Charges and Prepaid Premium) recognised in the comprehensive income are shown:

		Year ended 31 March		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest income		(299)	(299)	(293)
Amortisation of prepaid insurance expenses		<u>218</u>	<u>220</u>	<u>222</u>

During the Track Record Period, the deposit and prepayment for the Policy are pledged to secure general banking facilities granted to the Group (*Note 29*).

The deposit and prepayment for the Policy is denominated in US\$, a currency other than the functional currency.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant & machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost									
As at 1 April 2015	60,394	13,057	16,880	1,041	705	680	100	-	92,857
Additions	-	2,148	111	840	127	423	-	-	3,649
Disposals	-	-	-	-	(1)	-	-	-	(1)
As at 31 March 2016	60,394	15,205	16,991	1,881	831	1,103	100	-	96,505
Additions	-	214	479	195	78	218	-	-	1,184
Acquired through business combinations	19,915	-	25,284	909	488	2,083	1,601	-	50,280
Classified as assets held for sale (Note 25)	(52,770)	-	-	-	-	-	-	-	(52,770)
Disposals	-	-	-	-	(5)	-	-	-	(5)
Exchange realignment	(7)	-	21	(1)	-	14	6	-	33
As at 31 March 2017	27,532	15,419	42,775	2,984	1,392	3,418	1,707	-	95,227
Additions	2,702	332	5,207	447	235	294	-	217	9,434
Disposals	-	-	-	-	-	(2)	-	-	(2)
Exchange realignment	(72)	-	359	(7)	6	218	89	-	593
As at 31 March 2018	30,162	15,751	48,341	3,424	1,633	3,928	1,796	217	105,252
Accumulated depreciation									
As at 1 April 2015	5,639	4,488	9,430	405	421	200	12	-	20,595
Depreciation	1,396	2,489	1,848	256	104	151	20	-	6,264
As at 31 March 2016	7,035	6,977	11,278	661	525	351	32	-	26,859
Depreciation	1,402	2,846	1,996	396	126	289	55	-	7,110
Acquired through business combinations	348	-	4,525	373	4	1,043	837	-	7,130
Classified as assets held for sale (Note 25)	(7,450)	-	-	-	-	-	-	-	(7,450)
Eliminated on disposals	-	-	-	-	(5)	-	-	-	(5)
Exchange realignment	(1)	-	15	(1)	-	6	4	-	23
As at 31 March 2017	1,334	9,823	17,814	1,429	650	1,689	928	-	33,667
Depreciation	1,074	2,579	6,063	563	238	468	311	-	11,296
Eliminated on disposals	-	-	-	-	-	(2)	-	-	(2)
Exchange realignment	(6)	-	262	(4)	1	108	66	-	427
As at 31 March 2018	2,402	12,402	24,139	1,988	889	2,263	1,305	-	45,388
Net book value									
As at 31 March 2018	27,760	3,349	24,202	1,436	744	1,665	491	217	59,864
As at 31 March 2017	26,198	5,596	24,961	1,555	742	1,729	779	-	61,560
As at 31 March 2016	53,359	8,228	5,713	1,220	306	752	68	-	69,646

As at 31 March 2016, 2017 and 2018, the aggregate carrying amount of the Group's property, plant and equipment includes amount of HK\$46,494,000, nil and nil respectively in respect of land and buildings are pledged to secure general banking facilities granted to the Group (Note 29).

18. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	56,890	55,441	6,642
Acquired through business combinations	–	–	–
Transferred from prepayment for leasehold land	–	–	16,275
Addition	–	–	1,560
Amortised during the year	(1,449)	(1,449)	(570)
Classified as assets held for sale (<i>Note 25</i>)	–	(47,350)	–
	<u>55,441</u>	<u>6,642</u>	<u>23,907</u>
At the end of the year	<u>55,441</u>	<u>6,642</u>	<u>23,907</u>

As at 31 March 2016, 2017 and 2018, the Group's leasehold land with an aggregate carrying amounts of HK\$48,578,000, nil and nil respectively, are pledged to secure general banking facilities granted to the Group (Note 29).

19. PREPAYMENT FOR LEASEHOLD LAND

As at 31 March 2017, the Group entered into assets sale agreement with Chiefway Lanka for acquisition of identifiable assets and liabilities (Note 36). As at 31 March 2017, the title of the leasehold land with a carrying amount of HK\$16,275,000 had not been transferred and been classified as prepayment for leasehold land. The transfer of the title for the leasehold land was subsequently been completed on 1 April 2017.

20. GOODWILL

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	3,633	3,633	16,792
Acquired through business combinations	–	13,159	–
	<u>3,633</u>	<u>16,792</u>	<u>16,792</u>
At the end of the year	<u>3,633</u>	<u>16,792</u>	<u>16,792</u>

Impairment tests for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill arising from the business combinations is allocated to the appropriate cash generating unit ("CGU") of the Group identified as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing and trading of apparel products	3,633	16,792	16,792
	<u>3,633</u>	<u>16,792</u>	<u>16,792</u>

The recoverable amount for the cash generating unit ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing finished apparel products business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

	As at 31 March		
	2016	2017	2018
Budgeted gross margin	19%	19%	19%
Average revenue growth rate	5%	5%	5%
Growth rate	5%	5%	5%
Pre-tax discount rate	14%	14%	19%

The calculation of value-in-use for the CGUs is most sensitive to the following assumptions:

Budgeted gross margin – Gross margin is based on average value achieved in the five years preceding the start of the budget period. The budgeted gross margin is kept constant over the five-year period of the cash flow projection.

Average revenue growth rate – Average revenue growth rate is based on the average forecasted growth from the first year of budgeted growth for the remaining forecast period.

Growth rate – Forecasted growth rate is based on published industry research and does not exceed the long-term average growth rate for the industry relevant to the CGU.

Pre-tax discount rate – Pre-tax discount rate reflects the current market assessment of the risk specific to the CGU, regarding on the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on the publicly available market data.

As at 31 March 2016, 2017 and 2018, the recoverable amount calculated based on value in use exceeded carrying value by HK\$389 million, HK\$350 million and HK\$200 million respectively.

The following sensitivity analysis demonstrates the effect of reasonably possible variations in each of the key underlying assumptions on the recoverable amount of CGU as at 31 March 2016, 2017 and 2018:

	(Decrease)/increase on recoverable amount		
	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Budgeted gross margin rate			
– decrease by 1%	(66,707)	(68,655)	(45,180)
– increase by 1%	66,707	68,655	45,180
Average revenue growth rate			
– decrease by 5%	(60,036)	(35,132)	(31,407)
– increase by 5%	60,036	35,132	31,407
Growth rate			
– decrease by 5%	(103,733)	(133,612)	(54,497)
– increase by 5%	103,733	133,612	54,497
Pre-tax discount rate			
– increase by 1%	(40,463)	(51,339)	(22,381)
– decrease by 1%	40,463	51,339	22,381

No reasonably possible change in the budgeted gross margin, average revenue growth rate, growth rate and pre-tax discount rate would cause the carrying value of the CGU to materially exceed its recoverable amount as at 31 March 2016, 2017 and 2018.

21. INVENTORIES

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Raw materials and consumables	35,266	34,294	35,039
Work-in-progress	–	1,121	1,965
Finished goods	–	17	2,738
	<u>35,266</u>	<u>35,432</u>	<u>39,742</u>

22. TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Trade debtors	44,357	78,184	122,953
Prepayments	390	980	1,616
Deferred listing expenses	–	854	3,073
Other receivables	8,257	15,295	14,223
Utilities and sundry deposits	517	1,668	1,811
	<u>53,521</u>	<u>96,981</u>	<u>143,676</u>

The ageing analysis of trade receivables, net of impairment losses at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
0–30 days	35,348	40,320	73,908
31–90 days	7,145	30,048	44,460
91–365 days	1,054	7,738	4,492
Over 365 days	810	78	93
	<u>44,357</u>	<u>78,184</u>	<u>122,953</u>

The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The Group grants a credit period within 0–90 days to its trade customers. Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on the payment due dates, as of the end of each of the Track Record Period.

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	36,516	55,619	99,551
Less than 1 month past due	4,149	10,951	17,086
1 to 3 months past due	2,207	5,114	3,386
More than 3 months but less than 12 months past due	866	6,422	2,889
More than 12 months past due	619	78	41
	<u>44,357</u>	<u>78,184</u>	<u>122,953</u>

Trade receivables of HK\$7,841,000, HK\$22,565,000 and HK\$23,402,000 were past due and impaired as at 31 March 2016, 2017 and 2018 respectively. These related to customers have a good repayment track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

At the end of each of the Track Record Period, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

The Group recognised impairment loss based on the accounting policy stated in Note 4(g)(ii). The below table reconciled the impairment loss of trade receivables for the years ended 31 March 2016, 2017 and 2018:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	250	1,485	–
Impairment loss recognised/(reversed)	1,257	(1,485)	–
Written off	(22)	–	–
	<u>1,485</u>	<u>–</u>	<u>–</u>

The below table reconciled the impairment loss of other receivables for the years ended 31 March 2016, 2017 and 2018:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	–	111	–
Impairment loss recognised/(reversed)	111	(111)	–
	<u>111</u>	<u>–</u>	<u>–</u>

23. AMOUNTS DUE FROM RELATED PARTIES

	Note	As at 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Amounts due from related parties				
Zhi Wei	(a)	13,471	–	–
Chiefway Group Limited	(b)	–	16,743	–
C.F.L. Enterprise Limited	(c)	–	–	–
Mr. William Choi	(d)	–	3,733	–
Mr. KS Wong	(e)	–	3,733	–
Winfield	(f)	–	–	200
Win 18	(f)	–	–	23
Win 19	(f)	–	–	22
Win 20	(f)	–	–	23
Chiefway Lanka	(b)	–	–	4,004
		13,471	24,209	4,272

The amounts due from Zhi Wei and C.F.L. Enterprise Limited are trade nature, unsecured, interest-free and repayable on demand.

The amounts due from Mr. William Choi, Mr. KS Wong and Chiefway Lanka were non-trade in nature, unsecured, interest-free and repayable on demand. The amount due from Chiefway Group Limited is non-trade in nature for the year ended 31 March 2016 and trade nature for the years ended 31 March 2017 and 2018, unsecured, interest-free and repayable on demand.

The maximum balance outstanding due from Mr. William Choi, a director of the Group is nil for the year ended 31 March 2016 and HK\$3,733,000 for the years ended 31 March 2017 and 2018 and maximum balance outstanding due from C.F.L. Enterprise Limited, controlled by Mr. William Choi, is HK\$488,000 for the year ended 31 March 2016 and HK\$16,743 for the years ended 31 March 2017 and 31 March 2018 disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622).

The Group has not made any provision for doubtful debts on respect of the amounts due from related parties, for which there was no recent history of default.

Notes:

- (a) Before acquisition of Zhi Wei on 31 December 2016 (Note 36), Zhi Wei is 50% owned by Mr. William Choi who is the common director and the beneficial owner of the shareholder of the Group and 50% owned by Mr. KS Wong who is the brother of the director, Ms. Wong Mei Wai Alice, of the Group.
- (b) Chiefway Group Limited and Chiefway Lanka (Pvt) Limited are both 100% owned by Mr. YM Siu, a director of the Group, who is also the son of the director, Ms. Wong Mei Wai Alice, and the son of the shareholder, Mr. CW Siu, of the Group.
- (c) Mr. William Choi is the beneficial owner of the shareholder and the director of the Group that he is also the director and shareholder of C.F.L. Enterprise Limited.
- (d) Mr. William Choi is the beneficial owner of the shareholder and the director of the Group.
- (e) Mr. KS Wong is the brother of the director, Ms. Wong Mei Wai Alice, of the Group.
- (f) Mr. CW Siu and Mr. William Choi are shareholders of the Group and ultimate beneficial owners of Winfield, Win 18, Win 19 and Win 20.

24. CASH AND BANK BALANCES

Cash at banks earned interest at floating rates based on the daily bank deposits rates during the Track Record Period.

As at 31 March 2016, 2017 and 2018, included in cash and bank balances of the Group was nil, HK\$4,215,000 and HK\$6,744,000 of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 31 March 2017, the board intended to transfer a subsidiary of the Group's properties – 18/F, 19/F and 20/F and carpark spaces P310 to P315, Win Plaza, San Po Kong to the shareholders. No gain or loss arising from the classification of non-current assets as held for sales. The transaction was completed on 25 May 2017. The following major classes of assets relating to this transaction have been classified as held for sale measured at the lower of carrying amount and fair value less costs of disposal in the combined statement of financial position are as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment (<i>Note 17</i>)	–	45,320	–
Payment for leasehold land held for own use under operating lease (<i>Note 18</i>)	–	47,350	–
	<u>–</u>	<u>92,670</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>92,670</u></u>	<u><u>–</u></u>

As at 31 March 2016 and 2017, the Group's assets classified as held for sale with an aggregate carrying amount of nil and HK\$92,670,000 respectively, are pledged to secure general banking facilities granted to the Group (Note 29).

As at 31 March 2018, the assets classified as held for sale have been transferred to the related companies with ultimate beneficial owners, Mr. CW Siu and Mr. William Choi, who are also the shareholders of the Group and such property, plant and equipment and payment for leasehold land held for own use under operating lease are still pledged to secure general banking facilities quoted to the Group (Note 29).

26. TRADE, BILLS AND OTHER PAYABLES

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	32,422	51,187	28,023
Bills payables	25,936	28,458	41,121
Other payables and accruals	7,290	13,591	15,342
	<u>65,648</u>	<u>93,236</u>	<u>84,486</u>
	<u><u>65,648</u></u>	<u><u>93,236</u></u>	<u><u>84,486</u></u>

Bills payables have to be settled within three months from the date of issue.

The ageing analysis of trade payables based on invoice date are as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
0–30 days	30,254	47,005	13,713
31–90 days	1,720	3,596	13,186
91–365 days	9	392	567
Over 365 days	439	194	557
	<u>32,422</u>	<u>51,187</u>	<u>28,023</u>

Credit terms granted by the suppliers are generally 0–90 days. All amounts have short maturity periods on their inception and hence the carrying amounts of trade and other payables are considered to be a reasonable approximation to their fair values.

27. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

The Group

The amounts due to shareholders are non-trade in nature, unsecured, interest-free and repayable on demand.

The Company

The amounts due from shareholders are non-trade in nature, unsecured, interest-free and repayable on demand.

28. AMOUNTS DUE TO RELATED PARTIES

	Note	As at 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Amounts due to related parties				
Chiefway Group Limited	(a)	4,283	–	1,049
C.F.L. Enterprise Limited	(b)	1,572	–	–
		<u>5,855</u>	<u>–</u>	<u>1,049</u>

The amounts due to Chiefway Group Limited and C.F.L. Enterprise Limited are trade nature, unsecured, interest-free and repayable on demand.

The amounts due to Win 18 Limited, Win 19 Limited and Win 20 Limited are trade nature, unsecured, interest-free and repayable on demand.

Notes:

- (a) Chiefway Group Limited is 100% owned by Mr. YM Siu, a director of the Group, who is also the son of the director, Ms. Wong Mei Wai Alice, and the son of the shareholder, Mr. CW Siu, of the Group.
- (b) Mr William Choi is the beneficial owner of the shareholder and the director of the Group that he is also the director and shareholder of C.F.L. Enterprise Limited.

29. BANK BORROWINGS

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Interest bearing			
– trust receipt loans, secured ((a) and (b))	21,639	52,456	90,943
– term and revolving loans, secured ((a), (b) and (c))	47,875	96,589	106,233
	<u>69,514</u>	<u>149,045</u>	<u>197,176</u>

Notes:

- (a) All of the bank borrowings are repayable on demand (with demand clause) or within one year.
- (b) The bank borrowings are secured by the assets of the Group and the assets of related companies (which have common director and shareholders of the Group) and the personal guarantee of two directors, a shareholder and a related party (who is a shareholder of a related company in which has common director and shareholder of the Group). The carrying amounts of these assets are as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Prepaid insurance premium (<i>Note 16</i>)	7,957	8,036	8,107
Land and buildings (<i>Note 17</i>)	46,494	–	–
Payment for leasehold land held for own use under operating lease (<i>Note 18</i>)	48,578	–	–
Asset classified as held for sale (<i>Note 25</i>)	–	92,670	–
	<u>103,029</u>	<u>100,706</u>	<u>8,107</u>

- (c) The bank borrowings included bank loans of HK\$21,590,000, HK\$57,984,000 and HK\$54,286,000 as at 31 March 2016, 2017 and 2018 respectively that are not scheduled to repay within one year. It is classified as current liability as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

At 31 March 2016, 2017 and 2018, total current bank borrowings were scheduled to repay as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
On demand or within one year	47,924	91,061	142,890
More than one year, but not exceeding two years	9,440	19,198	28,286
More than two years, but not exceeding five years	12,150	38,786	26,000
	<u>69,514</u>	<u>149,045</u>	<u>197,176</u>

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, which is up to date with the scheduled repayments of the term and revolving loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 38(c). At the end of each of the Track Record Period, none of the covenants relating to drawn down facilities has been breached.

The range of effective interest rates, from date of commencement of interests become chargeable, on the Group's bank loans are as follows:

	As at 31 March		
	2016	2017	2018
Effective interest rates:			
Bank loans	<u>1.3%–2.6%</u>	<u>1.4%–2.9%</u>	<u>1.9%–4.5%</u>

30. DEFINED BENEFIT OBLIGATION

Chiefway Katunayake and Chiefway (PVT) are liable to pay retirement benefits under the Payment of the gratuity Act No. 12 of 1983 to an employee, who has a period of service of not less than five completed years, on termination (whether by the employer or workman, or on retirement or by the death of the workman, or by operation of law, or otherwise) of the services. Upon each year of completed service, the employee will be entitled to half a month's wage and salary.

The liability recognised in financial statements in respect of defined benefit plan is present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.

The actuarial valuations of defined benefit obligation as at 31 March 2017 and 2018 were carried out by an independent actuarial consulting firm, Actuarial & Management Consultants (Pvt) Limited, using the Projected Unit Credit Method. The results of the valuation are shown as follows:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Defined benefit obligation – gratuity	–	1,999	2,252

The principal actuarial assumptions used for the valuation as at 31 March 2017 and 2018 included a long-term rate of investment return net of salary increases of 10% per annum, together with appropriate allowances for expected rates of mortality, turnover and retirement. Actuarial & Management Consultants (Pvt) Limited confirmed that, as at the valuation date of 31 March 2017 and 2018.

The liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also have related to future services rendered and future changes in actuarial assumptions and market conditions.

- (a) The amounts recognised in the combined statement of profit or loss and other comprehensive income are as follows:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amounts recognised in profit or loss:			
– Current service cost	–	9	211

Movements in the present value of defined benefit obligation are as follows:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of the year	–	–	1,999
Acquisition through business combination	–	2,002	–
Service cost	–	9	211
Interest cost	–	3	220
Actuarial loss from remeasurement	–	–	118
Exchange difference	–	(4)	(6)
Benefits paid	–	(11)	(290)
At end of the year	–	1,999	2,252

The weighted average duration of the defined benefit obligation is 8.20 years.

(b) Historical information

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Present value of defined benefit obligation	–	1,999	2,252
	<u> </u>	<u> </u>	<u> </u>

(c) The significant actuarial assumptions (expressed as weighted average) and sensitivity analysis are as follows:

	As at 31 March		
	2016	2017	2018
Discount rate	N/A	11%	11%
Future salary increases	N/A	7%	7%
	<u> </u>	<u> </u>	<u> </u>

The below analysis shows how the defined benefit obligation at the end of each of the Track Record Period would have increased/(decreased) as a result of 0.5% change in the significant actuarial assumptions:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) on profit for the year and retained earnings:			
<i>If increase by 0.5% in:</i>			
Discount rate	–	63	76
Future salary increases	–	(68)	(82)
	<u> </u>	<u> </u>	<u> </u>
<i>If decrease by 0.5% in:</i>			
Discount rate	–	(63)	(76)
Future salary increases	–	68	82
	<u> </u>	<u> </u>	<u> </u>

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

31. DEFERRED TAX

Details of the deferred tax liabilities/(assets) recognised and movements during the Track Record Period:

	Accelerated Tax depreciation <i>HK\$'000</i>	Impairment loss on trade receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2015	1,089	(41)	1,048
Charged/(credited) to profit and loss for the year	207	(204)	3
As at 31 March 2016	1,296	(245)	1,051
Charged to profit and loss for the year	1	245	246
As at 31 March 2017	1,297	–	1,297
Credited to profit and loss for the year	(1,312)	–	(1,312)
As at 31 March 2018	(15)	–	(15)

As at the end of each of the Track Record Period, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams. The unused tax losses of HK\$5,634,000 and HK\$6,866,000 will not expire for the subsidiaries in Sri Lanka as at 31 March 2017 and 2018. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. SHARE CAPITAL

There was no share capital as at 1 April 2015, 31 March 2016 and 31 March 2017 since the Company was not yet set up by then.

The Company was incorporated and registered as an exempted company in the Cayman Islands on 6 June 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a nominal value of HK\$0.01 each. As at 31 March 2018, 2 ordinary shares of HK\$0.01 were issued and fully paid.

33. RESERVES**(a) The Group**

Details of the movements in the reserves of the Group during the Track Record Period are set out in the combined statements of changes in equity.

(b) The Company

No movement in the reserves of the Company as there is no business activity carried out during the Track Record Period.

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Capital reserve	Capital injection in excess of registered capital.
Contributed reserve	Difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of the subsidiaries pursuant to the Group Reorganisation.
Translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Remeasurement reserve	Gains/losses arising on remeasuring the actuarial value of defined benefit plan.
Retained earnings	Cumulative net gains and loss recognised in profit and loss.

(d) **Capital management**

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the end of reporting period.

34. INTEREST IN A SUBSIDIARY

The Company

	As at
	31 March
	2018
	<i>HK\$'000</i>
Unlisted investment, at cost	68,534

Particulars of the directly and indirectly held subsidiaries of the Company are set out on pages I-14 to I-15 of this report.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the Historical Financial Information, the Group entered into the following related party transactions, which would constitute connected transactions as defined in Chapter 14A of the Listing Rules upon listing, during the Track Record Period:

(i) Transactions with related parties during the Track Record Period are as follows:

Name of entities	Relationship with the Group
Zhi Wei (Guangzhou) Garment Co., Limited (before Acquisition dated 31 December 2016)	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) and Ms. Wong Mei Wai Alice's (Director of the Group) brother have beneficial interests in the related company
C.F.L. Enterprise Limited	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) is the director and shareholder of the related company
Chiefway Group Limited	A director of the Group and also the son of director, Ms. Wong Mei Wai Alice, and shareholder, Mr. CW Siu, of the Group, has beneficial interests in the related company
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu
Full Submit Development Limited	Common shareholder, Mr. CW Siu
Win 18 Limited	Common shareholder, Mr. CW Siu and common director, Mr. William Choi
Win 19 Limited	Common shareholder, Mr. CW Siu and common director, Mr. William Choi
Win 20 Limited	Common shareholder, Mr. CW Siu and common director, Mr. William Choi
Chiefway International (before Acquisition dated 10 June 2014)	Common shareholder, Mr. CW Siu and common directors, Ms. Wong Mei Wai Alice and Mr. William Choi

Name of related parties	Nature of transactions	Year ended 31 March		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Mr. KS Wong	Acquisition of shares of Zhi Wei	-	4,000	-
Mr. William Choi	Acquisition of shares of Zhi Wei	-	4,000	-
Mr. YM Siu	Acquisition of shares of Chiefway (PVT)	-	9,300	-
Chiefway Lanka	Acquisition of identifiable asset and liabilities of Chiefway Lanka	-	35,700	-
Zhi Wei (before Acquisition dated 31 December 2016)	Subcontracting fee: – cut-and-make Technical support fee paid	71,852 -	42,124 15,282	- -
C.F.L. Enterprise Limited	Sales of finished apparel products Sales of apparel samples Consultancy fee paid	127 46 2,100	60 5 -	36 6 -
Chiefway Group Limited	Subcontracting fee: – cut-and-make Purchases of finished apparel products Rental expense	26,526 3,539 -	38,006 3,959 -	- - 120
Kam Li Fashion Factory	Motor vehicle rental expenses	180	195	216
Full Submit Development Limited	Motor vehicle rental expenses	300	300	300
Win 18 Limited	Rental expense	-	-	202
Win 19 Limited	Rental expense	-	-	202
Win 20 Limited	Rental expense	-	-	202
Moonlight	Disposal of subsidiaries of the Group	-	-	-*
Rainbow Galaxy	Disposal of subsidiaries of the Group	-	-	-*

* Winfield, Win 18, Win 19 and Win 20 were disposed to the shareholders of the Group and carved out from the Group at nil consideration on 12 June 2017 (Note 37).

(ii) Key management personnel compensation

The key management personnel of the Group represent directors and other senior management of the Group. Details of the emolument paid to them during the Track Record Period are set out in Note 12.

(iii) Outstanding balances with related parties

Details of the Group's amounts due from/(to) related parties and shareholders are included in Notes 23, 27 and 28.

36. BUSINESS COMBINATIONS

On 31 December 2016, Elegant Maker acquired 100% shareholding interests of Zhi Wei, a company whose principal activity is trading and manufacturing apparel products in the PRC. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Pursuant to the Acquisition Agreement, Elegant Maker entered the agreement with Mr. KS Wong and Mr. William Choi who were the shareholders of Zhi Wei that the aggregate consideration for the acquisition of entire equity interest of Zhi Wei shall be satisfied by cash.

A cash consideration of HK\$8,000,000 was paid in advance on 21 December 2016.

The fair value of identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	2,283	
Inventories	4,355	
Other receivables	1,125	
Amount due from a related party	8,872	
Cash and cash equivalents	3,240	
Trade and other payables	(7,518)	
Amounts due to related parties	(15,249)	
	<hr/>	
Total identifiable net liabilities	(2,892)	
The fair value of consideration transfer:		
Cash	8,000	
	<hr/>	
Goodwill (<i>Note 20</i>)		<u><u>10,892</u></u>

The goodwill of HK\$10,892,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The acquisition-related costs of HK\$136,000 have been excluded from consideration transferred and have been expensed in general and administrative expenses.

Since the acquisition date, Zhi Wei has contributed HK\$19,231,000 and HK\$1,696,000 to the Group's revenue and loss as at 31 March 2017.

If the acquisition had occurred on 1 April 2016, the Group's revenue and profit would have been HK\$670,955,000 and HK\$41,833,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future performance.

On 28 February 2017, Sterling Apparel acquired 100% shareholding interests of Chiefway (PVT), a company whose principal activity is trading and manufacturing apparel products in Sri Lanka. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Pursuant to the Acquisition Agreement, Sterling Apparel entered the agreement with Mr. YM Siu, who is the shareholder of Chiefway (PVT) Limited that the aggregate consideration for the acquisition of entire equity interest of Chiefway (PVT) Limited shall be satisfied by cash.

A cash consideration of USD1,200,000 (equivalent to HK\$9,300,000) was paid in advance on 27 February 2017.

The fair value of identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	9,144	
Inventories	357	
Other receivables	177	
Cash and cash equivalents	89	
Trade and other payables	(2,734)	
	<hr/>	
Total identifiable net assets	7,033	
The fair value of consideration transfer:		
Cash	9,300	
	<hr/>	
Goodwill (<i>Note 20</i>)		<hr/> <hr/> 2,267

The goodwill of HK\$2,267,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The acquisition-related costs of HK\$11,000 have been excluded from consideration transferred and have been expensed in general and administrative expenses.

Since the acquisition date, Chiefway (PVT) Limited has contributed HK\$1,044,000 and HK\$167,000 to the Group's revenue and loss as at 31 March 2017.

If the acquisition had occurred on 1 April 2016, the Group's revenue and profit would have been HK\$678,784,000 and HK\$34,453,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future performance.

On 31 March 2017, Chiefway Katunayake had entered business combination arrangement with Chiefway Lanka, a company whose principal activity is trading and manufacturing apparel products in Sri Lanka. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Pursuant to the assets sale agreement, Chiefway Katunayake entered the agreement with Chiefway Lanka, that the aggregate consideration for the acquisition of identifiable assets and liabilities of Chiefway Lanka shall be satisfied by cash.

A cash consideration of US\$4,600,000 (equivalent to HK\$35,700,000) was paid on 31 March 2017.

The fair value of identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	31,723	
Prepayment for right to acquire leasehold land (<i>Note 19</i>)	16,275	
Inventories	527	
Other receivables	788	
Cash and cash equivalents	6	
Trade and other payables	(4,148)	
Amounts due to related parties	(852)	
	<hr/>	
Total identifiable net assets	44,319	
The fair value of consideration transfer:		
Cash	35,700	
	<hr/>	
Gain on bargain purchase (<i>Note 9</i>)		<hr/> <hr/> (8,619)

Chiefway Katunayake is engaged in the manufacturing of finished apparel products in Sri Lanka.

The directors believe that through the acquisition of Chiefway Lanka, it comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The gain on bargain purchase of HK\$8,619,000 was recognised in other gains or losses during the period from conclusion of the acquisition agreement to the date of the acquisition.

In the opinion of the directors, the gain on bargain purchase was resulted from the appreciation of the fair values of the underlying leasehold land and building held by Chiefway Lanka between the date when the consideration was determined and the date of completion of the acquisition transaction.

The acquisition-related costs of HK\$41,000 have been excluded from consideration transferred and have been expensed in general and administrative expenses.

Since the acquisition date, Chiefway Katunayake has not commenced to contribute to the Group's revenue and profit or loss as at 31 March 2017.

If the acquisition had occurred on 1 April 2016, the Group's revenue and profit would have been HK\$700,802,000 and HK\$20,605,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future performance.

37. DISPOSAL OF SUBSIDIARIES

On 12 June 2017, the Group disposed 100% equity interests of its subsidiaries, Winfield, Win18, Win 19 and Win 20 to Moonlight and Rainbow Galaxy with the beneficial owners, Mr. CW Siu and Mr. William Choi respectively, who are also the shareholders of the Group and such sub-group of subsidiaries are legally carved out from the Group.

The net assets of this sub-group of subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	46,135	
Payment for leasehold land held for own use under operating lease	46,135	
Amounts due to shareholders	<u>(92,270)</u>	–
Gain/(loss) on disposal of subsidiaries		<u>–</u>
Total consideration		<u>–</u>
Net cash inflow arising on disposal:		
Cash consideration	–	
Cash and bank balances disposed of subsidiaries	<u>–</u>	<u>–</u>
		<u>–</u>

The above carved out of subsidiaries also constitutes a non-cash transaction of the Group.

38. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables, amounts due from related parties and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade, bills and other payables, bank borrowings, and amounts due to related parties and shareholders. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Track Record Period. The main risks arising from the Group's financial instruments are currency risk, credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through transactions that are denominated in currencies other than the functional currency of the operations to which they related. Cash and cash equivalents, trade, bills and other receivables and trade, bills and other payables denominated in foreign currencies expose the Group to currency risk.

The currencies giving rise to the risk are primarily United States Dollars ("US\$"), Renminbi ("RMB"), Euro ("EUR") and Sri Lankan Rupees("LKR").

As HK\$ is pegged to US\$, the Group does not expect any significant movements in US\$/HK\$ exchange rate. The currencies giving rise to this risk are primarily RMB, EUR and LKR.

	Liabilities			Assets		
	As at 31 March			As at 31 March		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	–	–	3	214	135	9
EUR	–	–	565	2,874	–	2,379
LKR	–	1,872	3,254	–	131	842

The following table indicates the approximate change in the Group's profit for the year/period and other components of combined equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Track Record Period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the HKD strengthens against the relevant currency. For a weakening of the HKD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Increase/(Decrease) in foreign exchange rates	Effect on profit for the year and retained profits HK\$'000
As at 31 March 2016		
RMB	5%/(5%)	225/(225)
EUR	5%/(5%)	143/(143)
LKR	5%/(5%)	–
As at 31 March 2017		
RMB	5%/(5%)	142/(142)
EUR	5%/(5%)	–
LKR	5%/(5%)	1,828/(1,828)
As at 31 March 2018		
RMB	5%/(5%)	12/(12)
EUR	5%/(5%)	1,905/(1,905)
LKR	5%/(5%)	2,532/(2,532)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The Group currently does not have a foreign currency hedging policy but management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain period. These evaluations focus on the customer's history of making payments when due and ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2016, 2017 and 2018, 77.1%, 33.5% and 34.4%, respectively, of the total trade receivables were due from the Group's largest customer; and 100.0%, 100.0% and 100.0%, respectively, of the total trade receivables were due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidation balance sheets after deducting any impairment allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 22 to the Historical Financial Information.

(ii) Deposits with banks

The Group mitigates its exposure to credit risks by placing deposits with financial institutions with established credit ratings. Given their high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of each of the Track Record Period.

	Interest rate	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000
As at 31 March 2016				
Trade, bills and other payables	N/A	65,648	65,648	65,648
Amounts due to shareholders	N/A	95,501	95,501	95,501
Amounts due to related parties	N/A	5,855	5,855	5,855
Bank borrowings: Trust receipt loans	2.2567%	21,639	22,076	22,076
Bank borrowings: Term and revolving loans	1.3556% to 2.5926%	47,875	49,067	49,067
		<u>236,518</u>	<u>238,147</u>	<u>238,147</u>
As at 31 March 2017				
Trade, bills and other payables	N/A	93,236	93,236	93,236
Amounts due to shareholders	N/A	99,501	99,501	99,501
Bank borrowings: Trust receipt loans	2.6347%	52,456	53,838	53,838
Bank borrowings: Term and revolving loans	1.4094% to 2.9280%	96,589	99,865	99,865
		<u>341,782</u>	<u>346,440</u>	<u>346,440</u>
As at 31 March 2018				
Trade, bills and other payables	N/A	84,486	84,486	84,486
Amounts due to shareholders	N/A	8,428	8,428	8,428
Amounts due to related parties	N/A	1,049	1,049	1,049
Bank borrowings: Trust receipt loans	3.6796%	90,943	94,289	94,289
Bank borrowings: Term and revolving loans	1.8718% to 4.4796%	106,233	110,973	110,973
		<u>291,139</u>	<u>299,225</u>	<u>299,225</u>

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Group do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the directors of the Group believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Term and revolving loans subject to repayment on demand clause based on scheduled repayments			
Carrying amount	<u>47,875</u>	<u>96,589</u>	<u>106,233</u>
Within three months or on demand	18,036	28,306	30,492
More than three months but less than one year	8,890	11,704	24,737
More than one year but less than five years	<u>22,141</u>	<u>59,855</u>	<u>55,744</u>
Total contractual undiscounted cash flow	<u>49,067</u>	<u>99,865</u>	<u>110,973</u>

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's bank borrowings at the end of the reporting period.

	As at 31 March					
	2016		2017		2018	
	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>	<i>Effective interest rate (%)</i>	<i>HK\$'000</i>
Floating rate bank borrowings						
Bank borrowings:						
Trust receipt loans	2.2567%	21,639	2.6347%	52,456	3.6796%	90,943
Bank borrowings:						
Term and revolving loans	1.3556% to 2.5926%	<u>47,875</u>	1.4094% to 2.9280%	<u>96,589</u>	1.8718% to 4.4796%	<u>106,233</u>
Total net bank borrowings		<u>69,514</u>		<u>149,045</u>		<u>197,176</u>

Sensitivity

The Group's cash flow interest rate risk relates primarily to interest bearing bank borrowings.

Sensitivity analysis

At 31 March 2016, 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit after tax and retained earnings by approximately HK\$695,000, HK\$1,490,000 and HK\$1,972,000 respectively.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained earnings that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis during the Track Record Period.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

The Group monitors capital using a debt to capital ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as trade, bills and other payables and accruals, bank borrowings, amounts due to related parties, amounts due to shareholders, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debt	236,518	341,782	291,139
Less: Cash and cash equivalents	<u>(27,477)</u>	<u>(47,140)</u>	<u>(66,536)</u>
Net debt	209,041	294,642	224,603
Equity attributable to the owners of the Company	<u>35,444</u>	<u>66,545</u>	<u>68,534</u>
Net debt and equity	<u>244,485</u>	<u>361,187</u>	<u>293,137</u>
Debt to capital ratio	<u>85.50%</u>	<u>81.58%</u>	<u>76.62%</u>

(f) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

39. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Financial assets			
<i>Loans and receivables</i>			
– Prepaid insurance premium	7,816	7,895	7,966
– Trade and other receivables	53,131	95,147	138,987
– Amounts due from related parties	13,471	24,209	4,272
– Cash and cash equivalents	27,477	47,140	66,536
	<u>101,895</u>	<u>174,391</u>	<u>217,761</u>
Financial liabilities			
<i>At amortised cost</i>			
– Trade, bills and other payables	65,648	93,236	84,486
– Bank borrowings	69,514	149,045	197,176
– Amounts due to related parties	5,855	–	1,049
– Amounts due to shareholders	95,501	99,501	8,428
	<u>236,518</u>	<u>341,782</u>	<u>291,139</u>

40. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2016, 2017 and 2018, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Not later than one year	280	2,045	10,406
Later than one year and not later than five years	–	3,459	23,737
Later than five years	–	4,359	9,189
	<u>280</u>	<u>9,863</u>	<u>43,332</u>

The Group leases a number of motor vehicle, facilities and leasehold land under operating leases. The leases run for an initial period of two to fifty years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective lessors. None of the leases include contingent rentals.

41. NOTES SUPPORTING CASH FLOW STATEMENT

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing:

	As at 31 March 2015	Financing cash flows	Non-cash changes (Note i)	Other changes (Note ii)	As at 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to shareholders	99,501	(4,000)	–	–	95,501
Amounts due to related parties	8,155	(8,155)	–	5,855	5,855
Bank borrowings	66,548	141	–	2,825	69,514
	<u>99,501</u>	<u>(4,000)</u>	<u>–</u>	<u>8,680</u>	<u>95,501</u>
	As at 31 March 2016	Financing cash flows	Non-cash changes (Note i)	Other changes (Note ii)	As at 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to shareholders	95,501	4,000	–	–	99,501
Amounts due to related parties	5,855	–	–	(5,855)	–
Bank borrowings	69,514	75,660	–	3,871	149,045
	<u>95,501</u>	<u>79,660</u>	<u>–</u>	<u>(2,000)</u>	<u>149,045</u>
	As at 31 March 2017	Financing cash flows	Non-cash changes (Note i)	Other changes (Note ii)	As at 31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to shareholders	99,501	1,597	(92,670)	–	8,428
Bank borrowings	149,045	42,239	–	5,892	197,176
	<u>99,501</u>	<u>43,836</u>	<u>(92,670)</u>	<u>5,892</u>	<u>197,176</u>

Notes:

- (i) Non-cash changes represent the effect set-off of the amounts due to shareholders and the properties disposed to the shareholders of the Group.
- (ii) Other changes include the effect of finance cost recognised and the movement in cash flows related to operating activities.

42. CAPITAL COMMITMENTS

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not later than one year	–	–	–
Later than one year and not later than five years	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>

43. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 March 2016, 2017 and 2018.

44. SUBSEQUENT EVENTS

Subsequent to 31 March 2018 and up to the date of this report, the following significant events have taken place:

Reorganisation

The entities now comprising the Group completed the Reorganisation in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed “History, development and Reorganisation” in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the companies comprising the Group on 18 September 2018.

Save as disclosed above, there are no other significant events which took place subsequent to 31 March 2018.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2018.

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the consolidated net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 March 2018. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Share Offer been completed on 31 March 2018 or at any future dates.

The following statement of unaudited pro forma combined net tangible assets of the Group is prepared on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 March 2018. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group after the Share Offer or at any future dates.

	Combined net tangible assets of the Group as at 31 March 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma combined net tangible assets of the Group HK\$'000	Unaudited pro forma combined net tangible assets per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.44 per Share	51,742	66,715	118,457	0.15
Based on the Offer Price of HK\$0.40 per Share	51,742	59,355	111,097	0.14

Notes:

1. The combined net tangible assets of the Group as at 31 March 2018 is extracted from the Accountant’s Report set forth in Appendix I to the prospectus, which is based on combined net assets of the Group as at 31 March 2018 of HK\$68,534,000 less intangible assets of the Group as at 31 March 2018 of HK\$16,792,000.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 new Shares to be issued at the estimated offer price of HK\$0.40 and HK\$0.44 per Share after deduction of the underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 March 2018 (excluding listing related expenses of approximately HK\$8.6 million already recognised in profit or loss prior to 31 March 2018) payable by our Group. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma combined net tangible assets per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assuming the Share Offer had been completed on 31 March 2018, but takes no account of any Shares which may be issued pursuant to the exercise of any options 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 referred to in Appendix IV to this prospectus.

4. No adjustment has been made to the unaudited pro forma combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this document, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Sterling Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sterling Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Group as at 31 March 2018 and related notes as set out on pages 1 to 2 of Appendix II of the Prospectus dated 29 September 2018 (the "Prospectus") in connection with the proposed initial public offering of the shares of the Company (the "Proposed Share Offer"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 1 to 2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Share Offer on the Group's combined financial position as at 31 March 2018 as if the Proposed Share Offer had taken place at 31 March 2018. As part of this process, information about the Group's combined financial position has been extracted by the directors of the Company from the Group's financial information for the year ended 31 March 2018, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Share Offer at 31 March 2018 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

29 September 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 6 June 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 September 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting

of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its

nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered

addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and

allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company

in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the

Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary 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.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitioner(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

(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. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint

another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be

satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the

Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any

meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of

the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors

may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make

certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents 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 GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Laws as an exempted company with limited liability on 6 June 2017. Our Company's registered office is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at 18–20/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 21 June 2017. Mr. Chung Sam Kwok Wai and Mr. Leung Kin Chuen have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutive documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) on 6 June 2017, one Share was allotted and issued to the initial subscriber, which was transferred to Moonlight on the same date for cash at par. On the same date, the Company allotted and issued one share to Rainbow Galaxy for cash at par;
- (b) pursuant to the written resolutions of our Shareholders dated 21 September 2018, our Company increased its authorised share capital from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares; and
- (c) immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option; and (ii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 9,200,000,000 Shares will remain unissued. Other than the allotment and issue of Shares pursuant to the exercise of

any options which may be granted under the Share Option Scheme or the Offer Size Adjustment Option, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the sections headed “Share Capital” and “History, development and Reorganisation” in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders dated 21 September 2018

Pursuant to the written resolutions of our Shareholders dated 21 September 2018:

- (a) our Company approved and adopted the Memorandum and, with effect from the Listing Date, the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares to rank *pari passu* with the existing Shares in all respects; and
- (c) conditional on the same conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus;
 - (ii) the Offer Size Adjustment Option were approved and our Directors were authorised to effect the same and to allot and issue the Shares upon the exercise of any of the Offer Size Adjustment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for shares thereunder and to allot, issue and deal with shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the Listing Rules; (3) granting options under the Share Option Scheme and issuing and

allotting from time to time any Shares pursuant to the exercise of the Offer Size Adjustment Option or the options that may be granted under the Share Option Scheme with an aggregate nominal value not exceeding 10% of the total nominal value of the share capital of our Company in issue on the Listing Date; and (4) making 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 thereafter from time to time be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option or the options granted under the Share Option Scheme;

- (iv) conditional on the share premium account of our Company being credited as a result of the Share Offer, an amount of HK\$5,999,999 which will then be standing to the credit of the share premium account of our Company be capitalised and applied to pay up in full at par a total of 599,999,900 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 21 September 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their respective then existing shareholdings in our Company, and our Directors were authorised to give effect to the Capitalisation Issue and such distribution and the shares to be allotted and issued shall, save for the entitlements to the Capitalisation Issue, rank *pari passu* in all respects with all the then existing shares;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of shares in lieu of the whole or in part of any dividend on shares in accordance with the Articles of Association, or pursuant to the exercise of the Offer Size Adjustment Options or any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue) unissued shares with an aggregate number not exceeding 20% of the total number of Shares of our Company in issue and as enlarged immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any option which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest;

- (vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy back Shares with an aggregate number not exceeding 10% of the total number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest; and
- (vii) conditional on the passing of the resolutions referred to in sub-paragraphs (v) and (vi) above, the general unconditional mandate mentioned in sub-paragraph (v) above was extended by the addition of the total number of Shares of our Company which may be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought back by our Company pursuant to the mandate to buy back Shares referred to in sub-paragraph (vi) above.

4. Reorganisation

The Group underwent the Reorganisation in preparation for the Listing. For further details, please refer to the section head “History, development and Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries in our Company

Our subsidiaries are set out under the Accountants’ Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the paragraph headed “4. Reorganisation” above and in the section headed “History, development and Reorganisation” in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries in our Company within the two years immediately preceding the date of this prospectus.

6. Buy-Back by our Company of its own securities

This section includes information relating to the buy-back of the shares, including information required by the Stock Exchange to be included in this prospectus concerning such buy-back.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant our Directors a general mandate to buy back the Shares that are listed on the Stock Exchange.

(b) Shareholders' approval

All proposed buy-backs of shares (which must be fully paid up) 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 of a particular transaction.

The Buy-Back Mandate was granted to our Directors by our Shareholders pursuant to a written resolution dated 21 September 2018 authorising them to exercise all powers of our Company to buy back shares of not exceeding 10% of the number of shares in the capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(c) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Under the Cayman Islands law, any buy-backs of shares by our Company may be made out of profits or share premium of our Company or out of the proceeds of a fresh issue of shares made for the purpose of the buy-backs. Any premium payable on a redemption or purchase over the par value of the shares to be bought back must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the provisions of the Companies Law, a buy-back of Shares of our Company may also be paid out of capital.

(d) Trading restrictions

Our Company may buy back up to 10% of the aggregate number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the shares for a period of 30 days immediately following a buy-back of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from buying back the Shares on the Stock Exchange if the buy-back would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a buy-back of the Shares is required to disclose to the Stock Exchange any information with respect to a share buy-back as the Stock Exchange may require.

(e) Status of bought back shares

All Shares bought back (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares bought back may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the total number of the shares bought back accordingly although the authorised share capital of the company will not be reduced.

(f) Suspension of buy-back

Buy-backs of shares are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) 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 the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the Listing Rules or any other interim period (whether or not required under the Listing Rules), our Company may not buy back its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit buy-backs of shares on the Stock Exchange if our Company has breached the Listing Rules.

(g) Reporting requirements

Certain information relating to buy-back of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report and accounts are required to disclose details regarding buy-backs of shares made during the financial year under review, including the number of shares bought back each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest prices paid for all such buy-backs, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the buy-backs made during the year and the directors' reasons for making such buy-backs.

(h) Connected persons

According to the Listing Rules, a company is prohibited from knowingly buying back securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(i) Reasons for buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to buy back shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(j) Funding of buy-backs

In buying back shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buy-Back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our Directors do not propose to exercise the Buy-Back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital

requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(k) General

The exercise in full of the Buy-Back Mandate, on the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme; and (ii) any shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), would result in up to 80,000,000 Shares being bought back by our Company during the period in which the Buy-Back Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends to sell any shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-Back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a buy-back of shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-Back Mandate immediately after the listing of the Shares on the Stock Exchange.

No core connected person has notified our Company that he/she/it has a present intention to sell shares to our Company, or has undertaken not to do so if the Buy-Back Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

- (a) the sale and purchase agreement dated 25 May 2017 and entered into between Sterling Apparel as vendor and Win 18 as purchaser for the sale and purchase of Win 18 Premises at the purchase price of HK\$30,756,483;
- (b) the sale and purchase agreement dated 25 May 2017 and entered into between Sterling Apparel as vendor and Win 19 as purchaser for the sale and purchase of Win 19 Premises at the purchase price of HK\$30,756,483;
- (c) the sale and purchase agreement dated 25 May 2017 and entered into between Sterling Apparel as vendor and Win 20 as purchaser for the sale and purchase of Win 20 Premises at the purchase price of HK\$30,756,483;
- (d) the sale and purchase agreement dated 18 September 2018 and entered into between our Company as purchaser and Moonlight as vendor for the sale and purchase of 10,000 issued shares of Excel Tops (representing 50% of the entire issued share capital of Excel Tops) in consideration of the allotment and issue of 49 Shares to Moonlight, all credited as fully paid;
- (e) the sale and purchase dated 18 September 2018 and entered into between our Company as purchaser and Rainbow Galaxy as vendor for the sale and purchase of 10,000 issued shares of Excel Tops (representing 50% of the entire issued share capital of Excel Tops) in consideration of the allotment and issue of 49 Shares to Rainbow Galaxy, all credited as fully paid;
- (f) the Deed of Indemnity;
- (g) the Deed of Non-competition I;
- (h) the Deed of Non-competition II; and
- (i) the Public Offer Underwriting Agreement.

2. Intellectual property rights**(a) Trademark**

As at the Latest Practicable Date, our Group does not register any trademarks in Hong Kong.

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
chiefway.com.hk	Chiefway International	19 April 2004	20 April 2022
chiefwaygroup.com	Chiefway Katunayake	10 November 2014	10 November 2018
sphk.com.hk	Sterling Apparel	8 January 2001	29 June 2022
sterlingapparel.com.hk	Sterling Apparel	16 February 2015	6 March 2022

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Interests and short positions of Directors and the chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, will be as follows:

Long position in our Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held	Position	Approximate percentage of issued share capital
Mr. William Choi	Interest in controlled corporation (Note 1)	272,000,000	Long	34.0
Ms. Alice Wong	Interest of Spouse (Note 2)	300,000,000	Long	37.5

Note 1: These Shares are held by Rainbow Galaxy. The issued share capital of Rainbow Galaxy is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor. Mr. William Choi is deemed to be interested in the shares of the Company in which Rainbow Galaxy is interested in under Part XV of the SFO.

Note 2: Ms. Alice Wong is the spouse of Mr. CW Siu and is deemed to be interested in the Shares in which Mr. CW Siu is interested in under Part XV of the SFO. Moonlight, the controlled corporation of our Company, is wholly owned by Mr. CW Siu.

2. Interests and/or short positions of substantial shareholders in the Shares, and underlying Shares of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long position in our Shares

Name	Capacity/ Nature of interest	Number of Shares held	Position	Approximate percentage of issued share capital
Mr. CW Siu	Interest in controlled corporation	300,000,000	Long	37.5
Moonlight	Beneficial owner	300,000,000	Long	37.5
Rainbow Galaxy	Beneficial owner	272,000,000	Long	34.0

3. Particulars of service contracts

Each of our executive Directors, has entered into a service agreement with our Company for an initial 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. Each of our executive Directors is entitled to their respective basic salary (subject to an annual increment, which will be made one year after the commencement date of the service agreement at the discretion of our Directors).

Our non-executive Director and each of our independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

The appointments of our executive Directors, non-executive Director and our independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

4. Directors' emoluments

- (i) For the three years ended 31 March 2018, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$3.4 million, HK\$3.3 million and HK\$5.2 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2019 is expected to be approximately HK\$8.0 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

5. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting – Underwriting arrangements and expenses" in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

6. Related party transactions

Save as disclosed in note 35 to the Accountants' Report set out in Appendix I to this prospectus, our Group has not engaged in any other material related party transactions during the Track Record Period.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Buy-Back Mandate, our Directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the Shares, underlying Shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group, nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME**1. Summary of the terms of the Share Option Scheme***(i) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Company and our subsidiaries and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which our Group holds any equity interest (“**Invested Entity**”).

(ii) Who may join

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (“**Eligible Participant(s)**”):

- (1) any employee (whether full-time or part-time) of our Company, any of our subsidiaries and any Invested Entity;
- (2) any Director (including executive, non-executive and independent non-executive Directors) of our Company, any of our subsidiaries or any Invested Entity;
- (3) any supplier of goods or services to any member of our Group or any Invested Entity;
- (4) any customer of our Group or any Invested Entity;
- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; or
- (6) any person who, in the sole discretion of the Board, has contributed or may contribute to our Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any

other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares (assuming the Offer Size Adjustment Option is not exercised and no options are granted under the Share Option Scheme) in issue as at the Listing Date unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (3) Our Company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of Shares (assuming the Offer Size Adjustment Option is not exercised and no options are granted under the Share Option Scheme) in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or exercised) will not be counted for the purpose of calculating the Renewal Limit. For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the Listing Rules must be sent to our Shareholders.
- (4) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information as required under the Listing Rules.

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant exceeding 1% of the total number of Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a Director, chief executive or substantial Shareholder of our Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.
- (2) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of his/her/its respective associates), and such grant will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (a) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and

- (b) exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5.0 million, such grant shall not be valid unless:
- I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules, including, in particular,
 - (i) details of the number and terms (including subscription price) of our options to be granted to each connected person of the Company, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price, and
 - (ii) a recommendation from the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting; and
 - II. the grant has been approved by the Shareholders in general meeting (taken on a poll) at which all connected persons of the Company shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by the Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his personal representative(s)) at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

There is no performance target that has to be achieved before the exercise of any option.

(viii) Subscription price for shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below),
- (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date, and
- (3) the nominal value of a Share on the Offer Date.

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day ("**Offer Date**"). For the purpose of calculating the subscription price, where an option is to be granted fewer than five Business Days after the listing of the Shares on the Stock Exchange, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing.

(ix) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option shall be subject to the Memorandum and Articles of Association of our Company for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue ("**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) Restrictions on the time of grant of options

No option shall be granted after a price-sensitive development concerning our Company or any subsidiary has occurred or a price-sensitive matter concerning our Company or any subsidiary has been the subject of a decision of our Group until such

price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of our Board (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
- (2) the deadline for our Company to publish an announcement of our results for any year or half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by the company in a general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme ("**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xxi)(e), the option shall lapse on the date of cessation (to the extent not already exercised) and not be exercisable unless our Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of our Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be an employee of our Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxi)(e) which would be a ground for termination of his/her employment or engagement arises, the option may be exercised in full or in part (to the extent not already exercised) by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as our Board may at its absolute discretion determine from the date of death to

exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share buy-back offer or scheme of arrangement or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his/her/its option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his/her/its option within one month after the date on which the offer becomes or is declared unconditional.

(xv) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as or soon after it despatches such notice to each shareholder, give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his/her/its options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise 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 immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between our Company and our creditors

In the event of a compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them) in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a compromise or arrangement, and thereupon any grantee (or his/her personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction), our Company shall (if applicable) make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or

- (3) the maximum number of Shares referred to in sub-paragraphs (iii) and (iv) above provided that:
- (aa) no such alteration shall be made in respect of an issue of Shares or other securities by our Company as consideration in a transaction;
 - (bb) any such alterations must be made so that each grantee is given the same proportion of the equity capital of our Company as that to which he/she/it was previously entitled;
 - (cc) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and
 - (dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to the Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-paragraphs (bb) and (cc) above.

(xix) Cancellation of options

Our Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by the Shareholders.

(xx) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option

or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxii) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xx));
- (b) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;
- (c) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence or (if so determined by our Board, the board of the relevant subsidiary or the board of the relevant associated company of our Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with our Company, the relevant subsidiary or the relevant associated company of our Company (as the case may be);
- (f) the date of the commencement of the winding-up of our Company referred to in sub-paragraph (xv);
- (g) the date on which the grantee commits a breach of sub-paragraph (xxi); or
- (h) the date on which the option is cancelled by our Board as set out in sub-paragraph (xix).

(xxiii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting:
 - (aa) any changes to the definitions of Eligible Participant, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;
 - (cc) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any changes to the terms of options granted; and
 - (ee) any changes to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that:
 - (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and
 - (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the option granted under the Share Option Scheme.
- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of our Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) Conditions

The Share Option Scheme is conditional on:

- (aa) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options under the Share Option Scheme;
- (bb) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (cc) the commencement of dealings in the Shares on the Stock Exchange.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) (being the material contract (a) referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in this appendix) to provide indemnities in respect of, among other matters, (i) any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur up to the date on which the Share Offer becomes unconditional; and (ii) any outstanding amount, additional late payment fee, costs (including but not limited to legal and other professional costs), (to the fullest extent permitted by applicable law) claims, damages, expenses, losses, penalties, liabilities, actions and proceedings of whatever nature suffered or incurred by any of the Group companies directly or indirectly in connection with any possible or alleged violation or breach or non-compliance by any of the Group companies with the laws, regulations or rules concerning social insurance funds, housing provident funds or any other laws and regulations in connection with the employee welfare and benefits in the PRC.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any shares which may fall to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, on the Stock Exchange.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to the sponsor's fee in the amount of HK\$4,800,000.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$89,000 and are payable by our Company.

5. Promoter

- (a) Our Company has no promoter for the purpose of the Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualifications
Ample Capital Limited	A licensed corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
GFE Law Office	Legal advisers as to PRC law
F J & G de Saram	Legal advisers as to Sri Lanka law
Ipsos Limited	Independent market research expert

7. Consents of experts

Each of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Rainbow Galaxy Limited
Description:	Corporation
Place of incorporation:	BVI
Date of incorporation:	8 December 2004
Registered office:	263 Main Street, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	28,000,000 Shares

The Selling Shareholder is principally engaged in investment holding and is ultimately wholly owned by Choi's Family Trusts of which Mr. William Choi is the settlor.

10. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, and a register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the shares must be lodged for registration with and registered by our share registrar in Hong Kong and may not be lodged in the Cayman Islands.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

12. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares or any debentures in our Company or any of its subsidiaries have been issued or agreed to be issued;
- (b) no share, warrant 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) 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;
- (d) all necessary arrangements have been made enabling the shares to be admitted into CCASS;
- (e) our Company has no outstanding convertible debt securities;
- (f) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were made up);
- (h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (d) a copy of the statement of the name, description and address of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co., at 19th Floor, Prosperity Tower, No. 39 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report in respect of the historical financial information of our Group for the three years ended 31 March 2018 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for the three years ended 31 March 2018;
- (d) the report on unaudited pro forma financial information of our Group prepared by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the rules of the Share Option Scheme;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (h) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (j) the service contracts and letters of appointment referred to in the paragraph headed “C. Further information about Directors, management, staff and experts – 3. Particulars of service contracts” in Appendix IV to this prospectus;
- (k) the PRC legal opinion issued by GFE Law Office;
- (l) the Sri Lanka legal opinion issued by F J & G de Saram;
- (m) the industry report prepared by Ipsos Limited referred to in the section headed “Industry overview” in this prospectus; and
- (n) the statement of the name, description and address of the Selling Shareholder.

Sterling Group Holdings Limited
美臻集團控股有限公司*